Austria	Sch30	Indonesia	Rp3600	Pakistan	Rs35
Bahrain	Din1.200	Israel	Shk5.50	Philippines	Pes45
Belgium	BFr60	Italy	L2500	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es180
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils.600	S.Arabia	SR9.00
Egypt	E£4.00	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM10	Lux	LFr60	Spain	Pta250
France	FFr8.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs25	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year — Wednesday March 18 1992 — D 8523A

BURMA

Regime's grip on power tightens

Page 15

World News | **Business Summary**

Bomb destroys Israel's embassy in Buenos Aires

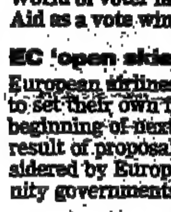
A bomb destroyed the Israeli embassy in Buenos Aires, killing at least four people and wounding 76. President Carlos Menem called the blast a "vestige of Nazism" in Argentina. The embassy, which was several storeys high, was almost totally destroyed and adjacent buildings badly damaged.

No group immediately claimed responsibility for the blast, which coincided with the visit to Argentina of the president of the immigration department of the World Zionist Organisation. Page 4

Appeal to world Jewry

Israeli ministers, apparently resigned to failing to secure $10bn in loan guarantees from the US, said they would try to raise funds elsewhere, mainly from world Jewry, to finance the absorption of immigrants from the former Soviet Union. Page 4

Labour in 5-point lead



Two opinion polls showing Britain's opposition Labour party with a five-point lead over the Conservatives gave new intensity to the UK election battle over the economy and tax. Prime minister John Major repeatedly attacked Labour for its "vindictive" plans to increase sharply the tax burden on those earning more than £22,000 ($38,700). But Labour leader Neil Kinnock seized on figures showing another fall in manufacturing output to accuse the government of "appalling" economic management. Page 16; Election 1992, Pages 8 and 9; World of voter meters, Page 13; Aid as a vote winner, Page 15

EC 'open skies' policy

European airlines could be free to set their own fares from the beginning of next year as a result of proposals being considered by European Community governments. Page 16

Little support for Soviets

Efforts to resurrect the spirit and institutions of the Soviet Union passed with little sign that those calling for a restoration of Soviet power have widespread support. Page 16

Warning for Britons

The British Foreign Office has advised the 5,500 Britons living in Libya to leave the country. The warning came as the US, Britain and France agreed on a draft resolution imposing sanctions on Libya.

UN troops seek bases

UN advance forces scoured the hot spots of Croatia in search of bases for 14,000 peacekeeping troops who arrive next month. Page 3

Gunmen kidnap five

An Australian missionary's wife and two daughters have been kidnapped by gunmen on the Moslem island of Jolo in the southern Philippines. Two other women, believed to be American teachers, were also abducted.

Mexican pollution

Mexico City's ozone level has hit an all-time high, four times above the maximum recommended. Page 6

Ambassador strangled

Mozambique's ambassador to Zambia, Sharfudine Khan, has been found strangled in his Lusaka residence.

Mission to Mir lifts off

The first Commonwealth space mission of the post-Soviet era has blasted off. Sergei Krikalyov awaits the Soyuz crew of a German and two Russian cosmonauts in the Mir orbital space station where he has spent the past 10 months.

FT No. 31,712

Federal to reduce European services

Federal Express, the largest US express package delivery company, yesterday announced details of a big retrenchment in its lossmaking European operations.

The Memphis-based company said it would discontinue all its intra-European express services, and concentrate instead on providing a direct intercontinental service between 16 European cities and the US. Page 17

PHARMACEUTICALS: Sweeping changes in European pricing and reimbursement policy for drugs were proposed by Armin Kessler, president of the European Federation of Pharmaceutical Industries Associations. Page 3

JAPANESE authorities showed no sign of following past practice and intervening to revive the country's stricken stock market. Page 4

TELCO, India's biggest vehicle maker and a Tata group subsidiary, is to manufacture truck engines and components for Mercedes-Benz. Page 6

WIMPEY, Britain's second-biggest housebuilder, announced its first pre-tax loss for more than 50 years. Page 17; Lex, Page 16

VALMET, Finnish state-owned paper machinery and engineering group, reported a pre-tax loss of FM692m ($152m) against a deficit of FM290m in 1990. Page 20

UK MANUFACTURING output is continuing to fall, indicating that the recession may be deepening, according to data released by the UK's Central Statistical Office. Page 19

CBR, Belgian cement group, reported a 12.4 per cent fall in 1991 profits to BFr3.63bn ($107m) but increased the dividend to BFr270 per share in the light of expansion in north America and Europe. Page 20

ISOSCELES, the UK-based Gateway food retail group formed through a £2bn leveraged buy-out in 1989, said it would float Wellworth, Northern Irish supermarket chain, on the stock market, and sell US sporting goods chain Herman's this year. Page 17; Lex, Page 16

KUGELFISCHER, German bearings company, made a loss of about DM80m ($48m) in 1991 after a profits slump the previous year, and is continuing to cut labour in an attempt to lower costs. Page 20

UK INVESTMENT: A single watchdog body should be set up to regulate investments offered to private individuals, according to a report. Page 10

DOW EUROPE, European arm of the second-biggest US chemicals group, is to be chosen over Elf Aquitaine of France by the Czech government to acquire a 36 per cent stake in a Czech chemical business, Chemicke Zavody Sokolov. Page 20

SOGEFI, stock market-quoted auto components group controlled by Carlo De Benedetti's Cir holding company, has sold its 47.97 per cent stake in Boge, German car parts group, to Mannesmann for L120bn ($95.8m). Page 20

SOUTH AFRICA's budget is delivered today against a background of a weakening economy and escalating demands on stretched revenues. Page 4

GEORGIA, former Soviet republic, opened talks with representatives of the World Bank and the International Monetary Fund with a view to joining both organisations in the near future.

BOUYGUES, French construction group, said it had won a contract to build an international trade complex near Bucharest.

China kept informed of UK deal which would create bank in world's top 15

Hongkong Bank to buy Midland

By Robert Peston, Angus Foster and Alexander Nicoll in London and Simon Davies in Hong Kong

HONGKONG and Shanghai Bank plans to take over Britain's Midland Bank in a deal which would create the world's largest transcontinental bank and one of its 15 largest in terms of assets.

Midland was once the biggest bank in the world but now only ranks fourth among English clearing banks. Under the plan announced yesterday, it would be taken over by HSBC Holdings, parent company of Hongkong Bank.

The deal, which requires the approval of governments in the UK, Hong Kong and China and of bank regulators, would create a bank with a market value of about £8bn ($13.6bn).

It would also involve the first takeover of an English clearing bank by an organisation which to all intents and purposes is not British, even though its holding company is domiciled in the UK.

Midland and Hongkong Bank said yesterday that "a merger of the two groups would now be in the interests of both companies and their shareholders".

Bankers with a close knowledge of the deal said, however, that the deal would effectively be a takeover of Midland. Hongkong Bank is expected to offer one of its shares for each Midland share, valuing Midland at close to £3bn.

Mr William Purves, Hongkong Bank chairman, is expected to be chairman of the combined operations.

Directors of both companies were constrained by UK takeover rules from making further statements, pending the announcement of formal bid terms.

But Mr Brian Pearse, Midland's chief executive, told his staff that "although we were not seeking a partner, we received an approach from Hongkong Bank". This approach was made after Midland announced its 1991 results on February 27.

Mr Pearse added that "independence remains an option" but that "the board considers the commercial case for joining forces to be a clear one". However, he stressed that in the UK, Midland would continue to trade under its own name. Mr Purves said: "Midland will continue to have its own board".

■ Griffins and Dragons
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Page 18
■ London stockmarket
Page 29

He also made it clear that although Midland is likely to be taken over, the combined organisation would have a strong British identity. "In concept this [the takeover] would lead to the creation of a UK-based banking group with unparalleled global capabilities and regional banking strength in the UK/Europe, Asia Pacific and North America", he said.

The implication, which will be controversial in Hong Kong – where Hongkong Bank is keen to manifest commitment to the local economy – is that Hongkong Bank's management will move to the UK.

Any transfer of Hongkong Bank's management is unlikely until next year, when Mr Purves is expected to resign from the chairmanship of his group's main bank subsidiary to devote his time to being chairman of HSBC.

The Chinese authorities were briefed at a high level about the plan before it was announced. China, which assumes sovereignty over Hong Kong in 1997, is very sensitive to developments affecting the territory's financial health and business climate. There were fears in Hong Kong that the news could provoke a verbal assault because the merger might be seen in Beijing as a desertion of the colony in the run-up to 1997.

Hongkong Bank performs some of the functions of a central bank in the colony and also has a political role. Its chairman sits on the Governor's most important decision-making body, the Executive Council. The initial indications, however, were that China's communist government would not seriously question a Midland deal.

Mr Purves said he had kept the Chinese authorities informed, although he could not say what their reaction would be. It was understood that the contact had been at a high level, possibly through Lu Ping, director of Hong Kong and Macao affairs in the Beijing government.

The Chinese embassy in London said it did not have up-to-date information about the proposed deal but that it had taken the view that the discussions between Hongkong Bank and Midland were between two British banks.

In 1990, Hongkong Bank defused the impact of the decision to move its ultimate domicile to London by informing China's premier, Li Peng, in advance. Beijing's subsequent reaction appeared to be one of tacit approval, and it has not complained about foreign acquisitions by other big Hong Kong companies.

However, China is thought to have been upset by British companies, like Jardine Matheson, seeking to distance themselves from Hong Kong in the lead up to 1997. China believes these companies, including Hongkong Bank, are threatening Hong Kong's stability after enjoying colonial privilege for many years. Hongkong Bank's change of domicile now appears to have been a key step towards the acquisition of Midland, establishing the holding company as British and subject to UK regulation.

Mr Hamish MacLeod, Hong Kong's financial secretary, placed the merger proposals in the context of Hongkong Bank's long-term strategy of internationalisation and said: "Hongkong Bank will continue to play its important role within Hong Kong's financial system". Its role as one of the two note-issuing banks in Hong Kong will not be affected.

Hong Kong's commissioner of banking, Mr David Carse, said the move should be seen as positive for the financial community. "You could argue it is a sign of strength that a Hong Kong bank is buying a UK clearing bank", he said.

Midland shares closed 76p higher at 329p.

German proposal may save next round of Gatt

By Quentin Peel in Bonn and Nancy Dunne in Washington

MR Helmut Kohl, German chancellor, flies to Washington on Friday for talks with US president George Bush, convinced that a last-minute breakthrough is still possible in the long-stalled Uruguay Round of talks on world trade liberalisation.

The German leader hopes to persuade the Mr Bush to make a key concession, by accepting a freeze on future US exports of cereals substitutes to the European Community.

In return, he believes he can promise a European readiness to accept quantity restrictions on EC agricultural exports, a significant sticking point in the negotiations.

Failure by the US and the EC to agree on farm trade has put in jeopardy the Uruguay Round of world trade talks, launched by the General Agreement on Tariffs and Trade (Gatt) in 1986 to reform a wide spectrum of world trade.

Mr Kohl believes he has the backing of the European Commission, Mr John Major and Mr Ruud Lubbers, the British and Dutch prime ministers, and, most critically, of President François Mitterrand of France for the concession. He will meet Mr Bush at Camp David on Saturday.

"The proposed compromise makes clear once again that here in Europe and in Bonn there is a firm will to conclude the Gatt Round in April," an official said: "[Chancellor Kohl] can tell Mr Bush that the French president, the European Commission and the Portuguese presidency (of the European Council of Ministers) all agree that we want a conclusion ... that the Europeans are ready for a sensible compromise."

The German compromise Continued on Page 16

Gatt disquiet, Page 6

White South Africans voted yesterday in a referendum on whether government reforms should continue. Page 16

Rise in US housing starts boosts hopes of recovery

George Graham in Washington

THE BUSH administration's hopes of economic recovery were boosted yesterday by evidence of a revival in both house construction and industry.

A strong advance in housing starts, coupled with a more modest increase in industrial production, provided two more of the "robins on the lawn" that Mr Nicholas Brady, the US treasury secretary, has cited as indicators that an economic springtime is on the way.

The strongest sign of a recovery was a 10 per cent surge in housing starts in February. The Commerce Department said 1.3m privately owned homes were started in February, 29 per cent higher than a year earlier.

Single family homes provided the greatest strength, with 1.15m starts in February – up 15 per cent from January, and 43 per cent higher than in February 1991.

The heavily overbuilt apartment sector remained weak, however, with starts dropping to 128,000 units, 21 per cent down from January and 24 per cent lower than a year ago.

Industrial output rose 0.6 per cent in February, but this was still not enough to reverse the sharp drop in production in January.

The Federal Reserve said a rebound in production of motor vehicles and parts accounted for about half of February's gain, adding that overall industrial production stood 1.4 per cent above its level a year earlier.

At the same time, the consumer price index rose a seasonally adjusted 0.3 per cent last month, lifting the year on year inflation rate to 2.8 per cent, from 2.6 per cent in January, according to Labor Department statistics.

But core inflation – excluding the volatile food and energy components of the price index – showed a slight decline to 3.8 per cent year on year.

The new statistics appeared to set the stage for an economic revival which, while significantly less exuberant than the recoveries from previous recessions, could nevertheless prove more robust than many economists had predicted until recently.

"Inventories are declining, so industry is set up for a recovery. The key is whether there is full follow-through on employment," said Mr James O'Sullivan, an economist at Morgan Guaranty Trust Company.

● Strong export growth and an influx of cash contributions from America's allies in last year's Gulf war helped to cut the US external deficit sharply last year, the Commerce Department reported yesterday.

The deficit in the current account of the US balance of payments shrank to $8.62bn, compared with $92.1bn in 1990. The US surplus in trade in services increased by 36 per cent to $35.9bn.

Lex, Page 16

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Syria hopes economic reforms will bring in foreign money

The Syria of President Hafez al-Assad now says it welcomes investors. But Damascus is almost certainly mistaken in believing that the very limited economic reforms it has undertaken will indeed prove a magnet for investment.

Page 4

MARKETS

STERLING
New York close
$1.7355 (1.7220)
London:
$1.7315 (1.7155)
DM2.86 (2.8575)
FFr9.7175 (9.705)
SFr2.59 (2.5925)
Y231.0 (229.75)
£ Index 90.2 (89.9)

GOLD
New York Comex Apr
$340.6 (343.9)
London:
$339.4 (343.2)

N SEA OIL (Argus)
Brent 15-day Apr
$17.95 (17.85)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.6455 (1.6615)
FFr5.588 (5.642)
SFr1.490 (1.5065)
Y132.795 (133.86)
London:
DM1.652 (1.6655)
FFr5.6125 (5.6575)
SFr1.4855 (1.511)
Y133.45 (133.95)
$ Index 65.0 (65.5)
Tokyo close: Y133.32

US closing rates
Fed Funds: $3\frac{7}{8}$% ($4\frac{3}{8}$%)
3-mo Treasury Bills:
4.138% (4.14%)
Long Bond:
$99\frac{7}{8}$ ($99\frac{5}{32}$)
yield: 8.004% (8.07%)

STOCK INDICES
FT-SE 100: Yield 4.96
2,491.2 (+20.5)
FT-A All-Share:
1,197.76 (+0.7%)
FT-SE Eurotrack 100:
1,151.88 (+6.27)
FT-A World Index:
N/A
New York:
DJ Ind. Av.
close4 (+19.69)
S&P Comp
409.58 (+3.19)
Tokyo: Nikkei
19,917.63 (+80.47)

LONDON MONEY
3-month Interbank:
$10\frac{3}{4}$% ($10\frac{13}{16}$%)
Liffe long gilt future:
Jun $95\frac{9}{32}$ (Jun $94\frac{23}{32}$)

Brittan may impose fines over Eurocheque deal

By Andrew Hill in Brussels

SIR LEON Brittan, the European Community's competition commissioner, is trying to win approval from his colleagues for the Commission's first fining of banks as punishment for an allegedly anti-competitive deal struck by French banks and Eurocheque International, the European cheque guarantee and cashcard organisation.

However, any fine is unlikely to be heavy, since it would relate to a first-time offence in the banking sector and because the Eurocheque agreement expired last year.

The issue was supposed to have been discussed by the Commission today but was postponed to its meeting next Wednesday, partly because of the potential sensitivity of such a ruling for French commissioners. Some of Sir Leon's colleagues also remain unconvinced about the seriousness of the infringement, arguing that the deal may have in fact helped Eurocheque expand in France.

The Commission's competition authorities are worried that the 1983 agreement between Eurocheque, itself operated by a group of European banks, and the French banks may have discriminated against the use of Eurocheques in France.

Commission officials believe this may have been part of a general policy on the part of the French banks to encourage the use of cards rather than cheques. The Commission does allow under competition rules for EC banks to levy a fee on Eurocheque customers' accounts each time they use a cheque, which can be written in any EC currency.

But according to Commission officials, Eurocheque agreed separately with Groupement des Cartes Bancaires, which operates the Visa and Eurocard plastic card networks in France, that the banks could also earn a fee from traders who accepted Eurocheques in payment.

Commission officials believe that the agreement might have led French traders to penalise all customers by marking up prices to cover the fees. At the same time, officials say that the relatively low penetration of Eurocheques indicated that French banks were making it difficult for French clients to use or acquire the cheques.

■ Dunlop Slazenger International, the UK-based sports goods manufacturer, is almost certain to be fined by the European Commission today for trying to prevent its squash and tennis balls being sold cheaply outside Britain. Brussels says the group has been abusing EC competition rules since 1977.

Newitt, a British sports equipment wholesaler, complained to the Commission that Dunlop Slazenger, a subsidiary of BTR, the UK holding company, was restricting continental European sales other than through its own distributors.

Dunlop Slazenger allegedly refused to sell tennis and squash balls to wholesalers, or tried to price other exporters out of the market.

■ The Commission said yesterday it might start to fine 28 Dutch builders' associations up to Ecu28,000 (£20,000) a day if they do not wind up an alleged cartel immediately. The Commission last month imposed fines of Ecu22.5m on the cartel which dominated the Dutch construction industry.

Germany's see-saw pay row

By Christopher Parkes in Bonn

GERMAN engineering employers have called up a new ally a nonplussed cartoon character armed with a saw to fight against union pay demands.

Der Sägermann has appeared on billboards and in press advertisements all over the country in the past few days, seemingly puzzled by the copywriter's exhortation that Germany could lose its leading economic role in Europe if he puts the saw to use.

The aim was to promote common sense among "unreasonable" people, Gesamtmetall, the employers' association funding the promotion said yesterday. The cost of the ad campaign could be measured in "thousandths of 1 per cent" of the 9.5 per cent wage demand the association is facing from the IG Metall union.

The campaign slogan "Don't cut off the branch we're all sitting on" is accompanied by copy which claims that workers in neighbouring countries have seen the economic light and are prepared to help improve national competitiveness by exercising moderation at the pay negotiating table. Italians have asked for less than inflation 4 per cent at most. Finns have foregone any increase in the interests of national economic well-being. Britons, French and Belgians want around 4 per cent, the advertisement says.

The soft-sell approach contrasts sharply with the hard line taken by Mr Hans-Joachim Gottschol, head of Gesamtmetall, who has said pay this year should rise in line with expected productivity increases of 2 per cent if hundreds of thousands of job losses are to be avoided.

The campaign also represents an attempt to affect broad public opinion, which has so far tended to favour the employers in this year's pay round.

A recent opinion poll showed that 56 per cent of west Germans think the unions are asking for too much.

Green light for sale of E German shipyards

By Leslie Colitt in Berlin

PRIVATISATION of a large part of the east German shipbuilding industry was given the green light yesterday by the Treuhand, the government agency selling off the former communist country's state industry.

The managing board approved an "international solution": the sale of the Warnow shipyard and, subject to an improved offer, the Neptun shipyard to the Kvaerner group in Norway. The MTW shipyard in Wismar and the DMR diesel engine plant in Rostock is to go to Bremer Vulkan of Germany.

The deal, announced earlier this month, caused a serious political row in the state of Mecklenburg-Vorpommern, where the shipbuilding industry is located. Mr Alfred Gomolka, the Christian Democratic state leader, was forced to resign this week after originally backing the sale of all three shipyards to Bremer Vulkan with state financial participation.

Shipbuilding workers demonstrated against the sale outside the headquarters of the Treuhand. "A whole region is being unscrupulously wrecked and we will be forced to leave" Mr Eckhard Reschke, a member of the Works Council at DMR said angrily.

Shipyard workers favoured the sale of all the shipbuilders to Bremer Vulkan which had previously saved thousands of shipbuilding jobs in Bremen with the help of generous state subsidies.

Seven thousand of the present 10,000 jobs in the east German shipbuilding companies are to be retained until 1995 with stiff fines imposed on the buyer for violations.

The Treuhand said yesterday that the sale, subject to the expected approval of the European Commission, would involve a "considerable" financial contribution by the agency and the state.

The agency is expected to assume previous debts by the shipbuilding companies, losses stemming from new orders as well as making investments to improve productivity totalling up to DM3bn ($1.8bn).

Swedish Jews who survived Nazi concentration camps demonstrating outside parliament against a visit of France's far-right Professor Robert Faurisson who claims the Holocaust never happened

Talks on Airbus row progress

By Andrew Hill in Brussels

SENIOR EC and US trade officials will continue talks today aimed at resolving the long-running dispute between the two trade partners over aircraft manufacturing subsidies, following "positive" discussions yesterday.

Negotiators refused to comment last night on the detail of the talks, but one US official said the mood was "upbeat" and a European Commission official said it was a good sign that the discussions had focused on technical issues. "When both sides are discussing technicalities, it's because they have the political consensus to go on," he added.

The US and EC are trying to find common ground before their self-imposed deadline of the end of the month. If they succeed, then the agreement will form the core of a new code on aircraft subsidies under the General Agreement on Tariffs (Gatt) and Trade; if they fail, then the Gatt panel may rule on the dispute.

The row revolves around US accusations that Airbus Industrie, the EC manufacturing consortium, received subsidies from EC governments, and Community counter-accusations that US manufacturers benefited from massive subsidies disguised as space or defence research grants. US negotiators are seeking commitments from the EC on reducing subsidies to Airbus.

The meeting has also been looking at a German scheme under which the German partner, Deutsche Airbus, was protected from exchange rate fluctuations. The Gatt disputes panel has already condemned the scheme on the grounds that it constitutes an export subsidy.

Poles announce IMF pact

POLAND has reached conditional agreement with the International Monetary Fund to regain access to IMF loans, the finance minister, Mr Andrzej Olechowski, said yesterday. AP reports from Washington.

Mr Olechowski said the IMF agreed that the $4.5bn deficit in the budget the Polish government plans to submit to parliament this month was "a necessary one". He said the projected deficit would meet the IMF demand that it not exceed 5 per cent of the gross domestic product.

During a 36-hour visit to the US, Mr Olechowski met with officials at the IMF, the World Bank, as well as with the US treasury secretary, Mr Nicholas Brady. He told a news conference at the Polish embassy that if the proposed budget is approved, Poland would gain access to $1.5bn in IMF loans. He said he also discussed a $1bn commitment from the World Bank. Another $1bn will be sought from other countries.

Asked if he expected additional financial assistance from the US, he replied, "We remain confident we could always count on some support." Mr Olechowski said the IMF "will be assisting us in seeking additional foreign financing". Poland was declared out of compliance with IMF guidelines last summer. Mr Olechowski went on to say that an IMF task force will visit Poland next month. He said he expected the budget to be submitted to parliament on March 23 and that the debate should take one or two months.

The government of the prime minister, Mr Jan Olszewski, has sought to back away from the strict market reforms he blames for rising unemployment and economic decline.

EC accord unlikely on plans for spending

EUROPEAN Community leaders are unlikely to finalise spending plans for the next five years when they meet in Lisbon in June, the president of the European Parliament said yesterday, Reuter reports from Lisbon.

Mr Egon Klepsch said the parliament would achieve a unified position on the so-called Delors Two package of budget reforms for 1993 to 1997 by June "to give a push to the negotiations."

"But I am convinced it will be difficult for the council in June to have the same result as the European Parliament," he told a news conference at the end of a two-day visit to Portugal, his first since taking office in January.

Mr Jacques Delors, president of the EC Commission, has proposed a one-third annual budget increase by 1997, with more spending on foreign aid, industrial policy and help for the EC's poorest states.

Britain and Germany say the package is unacceptable and France, Belgium and Italy have reservations.

Portugal has already expressed doubts about being able to complete budget reforms before Britain takes over the EC presidency in July.

Mr Klepsch, who held talks with Prime Minister Anibal Cavaco Silva, Foreign Minister Joao de Deus Pinheiro and President Mario Soares, said the Community had no choice but to agree on a new spending package by its Edinburgh summit in December.

"On the last day of December the present financial structure of the Community is finished," he said.

● The European Commission tomorrow launches a new environmental action plan designed to give the Community a world lead in the move towards sustainable, or environmentally sound, economic development, Reuter reports from Brussels.

The programme aims to reverse what the EC executive calls a "slow but relentless deterioration of the general state of the environment" in the 12-nation bloc that continues despite the adoption of over 200 environmental laws in the last 20 years.

The strategy, which governments will be asked to endorse but not to approve in detail, is intended as a key step towards the goal of achieving sustainable development.

Portugal may have crucial lessons to learn after revolt in the classrooms

Patrick Blum reports from Lisbon on the crisis that led to the departure of the Portuguese education minister

MR DIAMANTINO Durao, Portugal's education minister who was sacked on Monday, paid the political price for failing to stem growing discontent among students, teachers, and parents over an enduring crisis in Portuguese education.

The reason for the minister's dismissal - officially described as a resignation - was the recent wave of student protests against the PGA, an unpopular and idiosyncratic exam allowing entry into higher education. The scale of the protests, with large demonstrations up and down the country, took the government by surprise. Widespread public sympathy for the students, made it imperative for the social democratic administration of the prime minister, Mr Anibal Cavaco Silva, to respond.

By replacing the embattled and unpopular Mr Durao, who had spent only 138 days as minister, the government hopes to dampen the protests and give a new impetus to educational reforms. His replacement is Mr Antonio Couto dos Santos, 42, a former deputy minister for youth, who has played a discreet but politically important role as parliamentary affairs minister.

He inherits one of the government's most politically sensitive jobs. He faces three pressing challenges:

■ What to do with the PGA.

■ How to modernise the educational system with insufficient resources, while winning public acceptance for a substantial rise in university fees.

■ How to implement structural reforms to improve efficiency and cut back on an unwieldy bureaucracy.

For decades, Portuguese education has suffered from lack of resources - a legacy of former dictator Antonio Salazar who thought too much education gave people the wrong ideas. After the 1974 revolution, the pendulum swung 180 degrees under popular pressure for equal education for all, putting immense strains on resources.

Despite government efforts, Portuguese education, except in a few universities, remains the poor relation among its European partners, and lags 20 years behind the European average, according to officials. Pre-school education reaches only 40 per cent of children.

The schooling record is bleak with failures or drop-out rates of above 40 per cent.

Illiteracy is among the highest in Europe, at around 20 per cent, reaching close to 40 per cent of the population in some rural areas. Illegal child labour contributes to low school attendances. Officials say around 15,000 children are engaged in work, but international organisations and trade unions say the figure is four or six times higher.

The use of child labour is most widespread in the north in textile factories, but it is evident in other parts of the country. Children can be seen working on building sites, in the service industry and on farms. Most work only part-time or outside school hours, but many give up school altogether.

The government has tried to clamp down on unscrupulous employers by imposing fines and banning guilty employers from state contract. The practice nevertheless endures, partly helped by the complicity of financially pressed parents, tradition, and a lack of child supervision.

The government has made education a priority, but the task is immense. This year, it raised its budget for education by 19 per cent compared with 1991 to Esc643.9bn ($5.1bn), and it receives aid from EC programmes worth some Esc200bn for 1990-93. Money alone, however, will not solve all problems, though it should help to improve working conditions, provide better facilities and equipment and raise the low pay of teachers, making teaching more attractive.

But more reforms are urgently needed. The PGA, which focuses on broad cultural questions rather than specific school subjects, is regarded as favouring better-off students. Mr Couto dos Santos will have to decide soon whether to replace it. His predecessor said dissatisfied students could sit it again in May, but this does not meet demands for its abolition.

The government wants to raise state university fees from the paltry Esc1,200 a year - which dates back to the 1940s - to a more viable level. The outgoing minister planned to raise fees to Esc60,000. This will be unpopular. Reform of career structures and cutting back on the estimated 400,000 people employed by the Education Ministry, is likely to meet resistance. No one mourned Mr Durao's departure save parents who appreciated his commitment to improve deteriorating security in and around schools. The new minister will have his work cut out if he is even to attempt to deal with the rest of Portugal's education headache.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

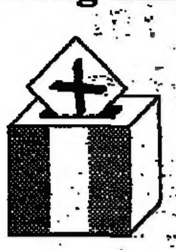
Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Local heart in Italy's body politic

Haig Simonian on the role of the regions in April's general election



WHEN THE administrator of one of Milan's most famous charitable foundations was found by police last month with L7m (£3,250) – alleged to be bribery money – on his desk, few eyebrows were raised at what seemed like another case of everyday petty corruption.

But the administrator, Mr Mario Chiesa, was a prominent member of the Socialist party, which has run Milan almost uninterruptedly since 1945. As the police investigation deepens, the cash hordes built up by Mr Chiesa, who has run the city's venerable Pio Albergo Trivulzio old people's institution for the past six years, are alleged to have ballooned to reach at L16bn at the last count.

The Chiesa affair has proved acutely embarrassing for the Socialists, with suggestions in political circles that the funds he is alleged to have raised via commissions on contracts and complex property deals were eventually destined for the party's coffers.

Having wasted no time in ejecting Mr Chiesa, now being held on corruption charges, from their ranks, the Socialists are loudly protesting that the case has been deliberately pumped up by their opponents in the run-up to Italy's general election on April 5. But the Chiesa affair highlights the unusually close connections between local and national politics in Italy.

Born out of the country's belated reunification and its strong regional traditions, and nurtured by the country's proportional representation electoral system which breeds multi-party local governments, urban politics often have national impact.

Bossi: his and other regional leagues add to the strains

The collapse late last year of long-standing councils in the big northern cities of Milan and Brescia set the alarm bells ringing at many national party headquarters.

The breach in Brescia, the second-biggest city in Lombardy and a Christian Democrat stronghold for decades, stemmed from squabbling among local party notables, whose failure to paper over their differences eventually triggered an early poll.

Only a few weeks later, the Socialists took their turn in the spotlight when the Milan council they dominated collapsed after teetering for months.

In both cases, national politicians immediately initiated attempts to resolve the local differences. Prominent Christian Democrat leaders were drafted into Brescia to patch up the local feud, while in Milan, Mr Bettino Craxi, the Socialists' national leader, made it his mission to prevent the rift leading to early polls, as required by law when a new council cannot be formed within 60 days.

The importance with which local disputes are viewed by national leaders stems partly from the new constellation of Italy's politics. The collapse of Communism and reform of the former Communist Party (PCI) into the Party of the Democratic Left (PDS) have loosened voters' allegiances and encouraged regional autonomist movements such as Mr Umberto Bossi's Lombard League.

Brescia, one of Italy's richest cities, is a League stronghold, as evidenced by the graffiti on walls and signposts and the large number of League activists handing out leaflets in the town centre.

By playing on northern voters' antipathy towards the "free-spending" politicians in Rome, the party has also made strides in Milan.

The prospect of sharp gains for the League at early elections in both cities was a powerful tonic for national politicians to take action late last year. With general elections only months away, the bigger parties feared that a local upset could prove nationally embarrassing.

In the event, the Christian Democrats failed to prevent local elections in Brescia, and the League duly beat them into second place.

In neighbouring Milan, a new council was formed only days before the deadline for elections expired.

Even before the rise of the Leagues, local politics had traditionally had considerable impact on the national arena, argues Mr Vittorio (Bobo) Craxi, the son of the Socialist chief, who heads the party's local organisation in Milan.

"Local councils allow the parties to experiment with coalitions that might not be possible nationally at the moment," he says. For example, 500 communes are run by coalitions between the Christian Democrats and the PDS. Among them are provincial capitals such as Pavia to the south of Milan.

Local councils can also be part of the more elaborate system of political horse-trading between the main governing parties at national level. With only about 14 per cent of the vote in Rome and 19 per cent in Milan, it would be virtually impossible for the Socialists to appoint the mayor in both cities, as they have, without the acquiescence of the Christian Democrats.

A weak showing by the Socialists in Milan or a poor performance by the Christian Democrats in Brescia in the general elections, could quickly trigger instability within the local council as opponents seek to exploit differences within the coalition parties and alliances start to unravel.

For, while local politics play an unusually prominent role in Italy's national political game, matters can, and often do, work the other way.

Ukraine responds to Moldova tension

THE Ukrainian president, Mr Leonid Kravchuk, yesterday ordered Ukrainian border forces to be deployed along the frontier with Moldova, where a long-standing struggle between Moldova and the Russian-speaking population of the trans-Dniestrian region has erupted into open fighting, writes Chrystia Freeland in Kiev.

The Ukrainians want to stop the shipment of arms from one part of trans-Dniestria to another. They also want to stop the movement of mercenary "Cossack" units from Russia to the embattled region via Ukraine.

The conflict is likely to be on the agenda at the meeting of Commonwealth heads of states on Friday.

UN and Iran envoys arrive in Azerbaijan

Mr Cyrus Vance, the UN special envoy flew to Azerbaijan yesterday to try to find a way to end the republic's bloody conflict with Armenia over the disputed territory of Nagorno-Karabakh, Reuter reports from Baku, Azerbaijan. More than 1,500 people have died in four years of fighting over the enclave, mainly populated by Armenians but located inside Azerbaijan.

■ The Iranian deputy foreign minister, Mr Mahmoud Vaezi, left for Baku yesterday to follow up Tehran's mediation in the Nagorno-Karabakh conflict, the Iranian news agency, Irna, reported, Reuter reports from Nicosia. Mr Vaezi will try to build on a draft truce signed in Tehran last Sunday.

DARK FORCES: former members of the Soviet Congress of People's Deputies opposed to the demise of the USSR gather in a hall, which had no electricity and had to be illuminated by candles, in the small agricultural town of Voronovo, Russia, yesterday. They met in defiance of a ban by the Russian parliament

WORLD PHARMACEUTICALS CONFERENCE

Drugs pricing reforms urged

By Paul Abrahams

FT SWEEPING changes in European pricing and reimbursement policy for drugs was proposed yesterday by Dr Armin Kessler, president of the European Federation of Pharmaceutical Industries Associations.

Dr Kessler, speaking on the second and final day of the Financial Times World Pharmaceuticals Conference in London, said the trends of ever-increasing expenditure by pharmaceutical companies on research and development and ever-greater expenditure on healthcare by governments were unsustainable.

European countries were increasingly trying to reduce prices, even for innovatory products, he said. The only alternative available to pharmaceuticals groups was not to sell certain products in countries where prices offered by the government were too low. This disadvantaged patients.

The process of price-setting for individual drugs by governments should be disassociated from government reimbursement to patients and overall budgetary constraints. In return for greater pricing freedom, European countries should stop reimbursing patients for drugs which do not require a prescription. Patients should also pay a larger part of medication obtained on prescription, he argued.

Dr Kessler called for greater use of generic drugs in Europe. He said this was necessary, even though it would adversely affect the research-based pharmaceuticals groups. Not only would generics help keep down government drugs budgets, but they would also act as a stimulus for the industry to produce more innovative products.

Mr Peter Ladell, president of Marion Merrell Dow Europe, agreed that the slower economic growth in the industrialised nations would continue to bring pressure on drug prices. He argued that studies on the cost effectiveness of pharmaceuticals would form an increasingly critical part of pricing negotiations with governments.

Danish SDP opposition leader faces challenge

By Hilary Barnes in Copenhagen

DENMARK'S opposition Social Democratic Party (SDP) was thrown into disarray yesterday when its deputy chairman, Mr Poul Nyrup Rasmussen, mounted a challenge to the leadership of party chairman Svend Auken.

Mr Auken, 48, has led the party since 1987, but under his leadership the party, which holds 69 of the 179 seats in the Folketing, has been plagued by personal conflicts.

More importantly, the small centre parties in the eight-party parliament do not have confidence in Mr Auken, and, without the support of the centre parties, the SDP cannot hope to end a 10-year spell in opposition.

Unless Mr Auken withdraws, it is expected the leadership fight will be settled at an extraordinary party congress in April.

Mr Nyrup Rasmussen, 48, formely the chief economist at the Confederation of Danish Trade Unions, is a moderate, a strong pro-European, and is respected in business circles.

His challenge has emerged because the SDP believes the Conservative-Liberal minority government may run into such serious trouble next autumn that an election will be called.

With Mr Nyrup Rasmussen at the helm, the party's chances of returning to office are considered to be greater.

However, Mr Poul Schlüter, the prime minister, said yesterday he expects his government to remain in office until when the next general election would normally be held, in two-and-a-half-years' time. "With the problems the Social Democrats have, I can't see them forcing an election," he said.

ICL stays in EC research project

By Paul Taylor

ICL, the UK-based computer group, 80 per cent owned by Fujitsu of Japan, is to work with Bull of France and Siemens-Nixdorf Informations Systems of Germany on the next stage of an European Community-funded research and development project called Sesame.

In the aftermath of its acquisition in 1990 ICL was excluded by its European partners from three other semiconductor research projects under the Joint European Submicron Silicon Initiative programme.

The EC said yesterday ICL would participate in the three-year second stage of project Sesame (Secure European System for Applications in a Multivendor Environment).

The three partners completed the first stage of Sesame last year.

INTERNATIONAL NEWS

Israel may target world Jewry for loan funds

By Hugh Carnegy in Jerusalem

ISRAELI ministers, apparently resigned to failing to secure $10bn in loan guarantees from the US, said yesterday that they would try to raise funds elsewhere, mainly from world Jewry, to finance the absorption of immigrants from the former Soviet Union.

The government reacted bitterly to reports from Washington that the Bush administration had turned down a Congressional compromise proposal which would have advanced some of the requested guarantees while talks continued on Washington's demand that Israel freeze Jewish settlements in the occupied territories.

President George Bush was in talks yesterday evening with senior members of the Senate foreign aid committee, although a compromise appeared unlikely.

The dispute has caused a deep gulf between Israel and Washington – one which was widened over the past week by US allegations that Israel had illegally sold US weapons technology to China, South Africa and other third countries in Asia, Africa and South America.

Mr Moshe Arens, the defence minister who is visiting Washington, said the administration was imposing "impossible terms" on the loan guarantees. Israel had made the guarantees a central part of its economic strategy for absorbing 1m immigrants over the next five years. "We will not crawl or beg for help," he told an audience of US Jews. Israel would turn to world Jewry to bridge the gap.

Mr Yitzhak Moda'i, the finance minister, is understood to have visited Geneva last week to canvass support from European Jewry as a step towards substituting the US guarantees. Mr Moda'i suggested there was merit in the US decision if it forced Israel to end its dependence on US aid of about $3bn a year.

Finance Ministry officials said the lack of US guarantees would not have a serious effect on the economy this year. A slowdown in immigration has eased budgetary pressures and Israel's foreign reserves stand at more than $6bn.

But the damage lies in the difficulty Israel can expect to encounter in raising loans on world markets, after what will be seen as a US vote of no-confidence. Israel will also have to pay a higher price for the loans. The country has scheduled more than $20bn in foreign borrowing over the next few years to cope with immigration, a sum most officials say the already heavily-tapped Jewish diaspora cannot meet.

Meanwhile, a team of US officials is to visit Israel to investigate the allegations that Israel has re-exported weapons based on US technology contrary to strict technology transfer agreements. The government, which has vehemently denied the allegations, said it was happy to co-operate.

Israeli military experts say systems with similar characteristics to US products, such as the Python air-to-air missile and the Mapatz anti-tank missile, have been sold to China and South Africa and other countries. Although Israeli-made, their development often draws heavily on expertise gained from foreign-supplied weapons.

The issue is likely to turn on the difficult question of what counts as a straight – and thereby illegal – copy of US technology and what qualifies as a genuine new development. "If we want to continue to have good relations with the US - and most of our arsenal relies on US systems - we must straighten this out," said Mr Ze'ev Eytan, of Tel Aviv University's Jaffee Centre for strategic studies.

Voters queue to vote in Cape Town yesterday in South Africa's whites-only referendum on ending apartheid

S Africa runs out of budget options

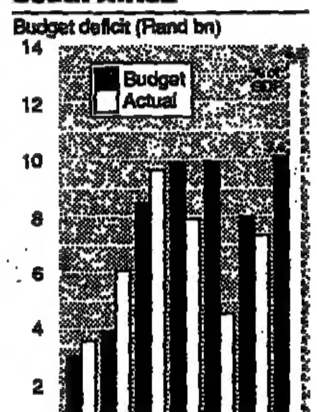
By Philip Gawith in Johannesburg

MR Barend du Plessis, South Africa's finance minister, today delivers his government's budget against a background of a weakening economy and escalating demands on stretched revenues.

Mr du Plessis has little room for manoeuvre, with significant sweeteners for the taxpayer unlikely. Instead, the budget is likely to consolidate the trend towards equalising social spending between the different racial groups, with individual taxpayers again being hard hit by the effects of fiscal drag, as pay rises to compensate for inflation suck them into higher tax bands.

The key factor limiting the finance minister's options is the state of the economy, which has been in recession for three years. Economists are forecasting growth of little more than 1 per cent this year and the outlook for revenue growth is poor. Total revenue for the 1991/2 tax year is likely to be about R2.5bn below the original estimate of R76.65bn (£15.5bn).

South Africa



Raising taxes is also not much of an option. South Africans are already fairly heavily taxed, with government spending nearly 29 per cent of gross domestic product. It is also unlikely the minister will raise Value Added Tax, currently at 10 per cent, given the political uproar that accompanied its introduction last September.

The consensus among economists is that the work of attracting more revenue will be left to fiscal drag, which has the effect of reducing real incomes.

Scope for borrowing is limited. In the 1991/2 year, the deficit before borrowing is estimated to have reached about R13bn, or 4.5 per cent of GDP, compared with the R10.1bn, or 3.4 per cent, deficit forecast by the government. Some economists argue that the larger deficit had more to do with revenue shortfalls than spending overruns, although they agree such a large deficit is unsustainable.

The size of the public debt has risen sharply in recent years, from 33.9 per cent of GDP in 1990 to over 37 per cent in the second and third quarters of 1991.

Given the lack of flexibility on the revenue side, a large part of any shift towards equalising social spending – on pensions, for example – will have to come from spending cuts elsewhere. President F.W. de Klerk said as much when he opened parliament in February. He spoke of the need for "relatively drastic structural changes...especially in respect of current expenditure."

The government has already announced reforms to the white school system which could save about R400m and their appears to be greater resolve than in the past to curb civil servant salaries which consume about 35 per cent of the budget.

Today's budget is likely to be the last by a Nationalist government – if the reform process stays on track, next year's budget will be the product of multi-party deliberations in an interim government.

Tokyo holds back from intervening in markets

By Stefan Wagstyl and Emiko Terazono in Tokyo

THE Japanese authorities yesterday showed no sign of following past practice and intervening to revive the country's stricken stock market.

Instead, Finance Ministry officials indicated they would rely on general monetary and economic policies eventually to restore confidence in both the market and in the economy.

A finance ministry official said: "This is now a free market. We are not going to try any of the old tricks. They will not work." He was speaking soon after the market closed yesterday after the Nikkei index failed to regain the psychologically important 20,000 level and finished up 80.47 at 19,917.63. On Monday, the index had fallen to its lowest level for five years.

'This is now a free market. We are not going to try any of the old tricks. They will not work.'

The last time the Nikkei index fell through the 20,000 level was in October 1990 when Mr Ryutaro Hashimoto, the finance minister, relaxed regulations to encourage investors to buy stock. This time, his successor, Mr Tsutomo Hata, has given no indication of making a similar move.

The ministry change of heart is a recognition that officials' power to manage the markets has been undermined by the financial liberalisation in the 1980s, including the introduction of stock futures trading, the admission of foreign companies and interest rate deregulation.

It also a reflects a belief that even with the support of stockbroking companies the ministry may lack the financial resources to shore up equities. In the 1960s, the last prolonged bear market in Japan, officials encouraged broking companies to club together to buy stocks to maintain prices. But this time the volume of stock bought at inflated prices is so great that officials believe such a fund would be swamped.

US, France and UK agree UN draft on Libya sanctions

By Mark Nicholson, Middle East Correspondent, in London

THE US, Britain and France have agreed on a draft United Nations resolution imposing sanctions on Libya, including a ban on all air links with the country, for its alleged part in the bombings of civil airliners over Scotland and Niger.

The draft text calls on all UN countries to deny all civil flights to and from Libya, to halt the supply of arms and related materials to the country and to downgrade the status and reduce the size of Libyan diplomatic missions.

The resolution would also ban sales of aircraft or avionic spare parts to Libya and all new insurance for Libyan civil airliners. It would also prevent the operations of Libyan Arab airline offices overseas.

The UK foreign office yesterday advised 5,500 Britons registered as resident in Libya that they should "consider carefully" leaving the country in view of the possible flight ban.

The draft resolution was circulated yesterday among other of the 15 Security Council members, although there have already been widespread discussions on the elements contained in the document.

Diplomats in New York suggested Russia would probably support the present text, but that China, Zimbabwe and Morocco could resist the resolution. Nevertheless, officials from the three drafting powers say they are reasonably confident the resolution would pass.

Talks with council members will resume today and the drafting nations will take stock of their response tonight before taking any further action.

Four die in explosion at Israeli embassy

By John Barham in Buenos Aires and Agencies

AN EXPLOSION ripped through Israel's embassy in Buenos Aires, the Argentine capital, yesterday, killing at least four people and virtually demolishing the building. Reports said up to 100 people were hurt and buildings hundreds of yards away damaged.

An embassy official said the explosion was caused by a bomb in a car parked at the front of the building. He added that Mr Yitzhak Shefi, the ambassador, was unharmed.

At the time of the attack there were about 40 people in the embassy, located in a smart central neighbourhood. Embassy officials said the structure was built "like a fortress".

No group claimed immediate responsibility. After the explosion emergency services and military patrols rapidly cordoned off the area.

Israel's defence minister, Mr Moshe Arens, claimed in Washington that the attack was "part of a terrorist campaign which is being waged against Israel by all kinds of Moslem holy warriors and Palestinian terrorists". He said that some terrorist activities might be aimed at sabotaging the Middle East peace process.

One eye-witness said: "All over the place there were people injured from shattered glass – women, children, pregnant women, old people. I could never imagine a scene like this." A teacher at a nearby primary school said: "I felt the ground moving under my feet. Several children were hospitalised. Cars parked in the street were set on fire."

US stresses role of inspection in Iraq

By George Graham in Washington

THE US still regards the use of force as a last resort to make Iraq comply with United Nations resolutions on the elimination of its weapons of mass destruction, a senior US official said yesterday. Instead, the US is concentrating on strengthening the UN inspection of Iraqi weapons facilities.

"Our focal point right now is in the UN Security Council, to reinvigorate, to invigorate, to make more intrusive the inspection regime in Iraq," Mr Edward Djerejian, assistant secretary of state for Near Eastern affairs, told a congressional committee.

The tense relationship between Iraq and the UN has appeared even more uneasy over the past few days. US and UK ambassadors clashed angrily in the Security Council last week with Mr Tariq Aziz, Iraq's deputy prime minister, over charges that Iraq was deliberately obstructing the efforts of UN inspectors to locate and destroy the country's missile equipment.

Tension rose a notch with the announcement that a new US aircraft carrier group had entered the Gulf, although Pentagon officials described the movement as routine.

Mr Djerejian said the crux of the conflict was President Saddam Hussein's determination not to implement the UN resolution allowing the sale of some Iraqi oil, on condition that the proceeds were placed under UN supervision and used both to buy food and medical supplies for the Iraqi population and to defray the costs of the UN inspection teams.

"The reason he is doing that is that he does not want Iraqi oil proceeds to be funnelled through a UN mechanism. He simply wants a direct handle on all oil proceeds so that he can spend the money as he sees fit." Mr Djerejian said. "He has deliberately tried to weaken the will of the international community, but the will of the international community has not been weakened," he added.

Chinese officials blocking reform 'should be fired'

A SIGNED article in a Chinese official newspaper said yesterday that officials who blocked economic reform should be fired – a sign that a current power struggle could lead to major personnel changes, Reuter reports from Beijing.

"We must resolutely dismiss from their leading positions those officials who lack the spirit of blazing new trails, who are incompetent and mediocre and cannot make new developments," the article in the Economic Daily said. "By dismissing one person we might be able to move a group."

Almost nothing appears in China's press by accident. While signed articles lack the authority of editorials they often represent the opening salvo of a campaign, especially in a newspaper such as the Economic Daily, the official organ of the State Council or cabinet.

An official at the newspaper said the author, Li Dawei, was a provincial official involved in economic work.

"We believed his article was very well-written but we didn't think much about his background," the newspaper official said.

Li's article, while unforgiving of opponents of reform, said proponents of change should be forgiven their faults.

"We should not demand perfection of reformers and we certainly must not make exaggerated criticisms of reformers' faults."

Reformers were blamed for causing economic overheating in the late 1980s which in turn led to widespread public unrest over runaway inflation and corruption.

Taiwan seeks protection for investments in China

TAIWAN'S parliament voted yesterday to urge a semi-official organisation to sign an investment guarantee agreement with China to protect thousands of Taiwanese investors, AP reports from Taipei.

The motion said Taiwan's semi-official Straits Exchange Foundation should negotiate an accord with its counterpart in Beijing to provide Taiwan investors with fair treatment and protect their investments from expropriation.

Taiwan's government cannot sign a pact with the rival Communist regime in Beijing because both sides claim to be rulers of all China and ban official contact. Taiwan's Nationalist government fled to Taiwan in 1949 after losing a civil war on mainland China to Communist forces.

But Taiwan's parliament can ask semi-official organisations such as the Straits Exchange Foundation to function as go-betweens for closer economic ties with China.

Government statistics show Taiwan companies have invested $950m (£554m) in China. Analysts believe the figure is higher and could total $2.5bn as many Taiwanese do not report their investments to the government.

Last year, Taiwan's indirect trade with China through Hong Kong totalled $5.79bn, an increase of 43.6 per cent on 1990.

On Monday, the Hong Kong-based newspaper Wen Wei Po reported that China would establish its first free port in the south-eastern city of Xiamen to attract business from Taiwan.

Tokyo stores suffer decline

DEPARTMENT store sales in Tokyo – an early indicator of Japanese consumer spending – declined in real terms in February for the third month running, the Japan Department Stores Association said yesterday, writes Steven Butler in Tokyo.

Sales for the month totalled Y191.9bn (£835m), with a reported 0.2 per cent increase from a year ago accounted for by the extra day in February this year.

The figures provided further evidence that continued strong consumer spending may fail to underpin the otherwise weak Japanese economy, as many economists had hoped.

Clothing sales were up modestly by 0.6 per cent, household goods rose by 1.6 per cent while foodstuffs were 7 per cent up, while miscellaneous goods were off by 5.3 per cent.

No queues form outside Syria's newly opened door

In spite of appearances, the fundamentals of the Assad regime remain the same, writes **Tony Walker**

LAST November Syria took what was, for it, quite an unusual step: it inserted a four-page advertising supplement in The New York Times extolling the virtues of a new "open door" policy.

Syria, readers were informed, was open for business. Foreign investors were welcome, the tourism industry was "ready, willing – and waiting", and water from the new Euphrates dam was helping to turn the desert green.

Why did Syria, which does not have all that much foreign currency to throw around, choose to advertise its wares in such a way, at such a time, and in a paper that it has tended to regard as hostile over the years?

The answer lies partly in Syria's desire to "clean up its image in the West", as one Damascus-based western official put it, and partly in Damascus's almost certainly mistaken belief that the very limited economic reforms it has undertaken will indeed prove a magnet for investment.

The collapse of the Soviet Union, the pre-eminence of the US in regional affairs, and Syria's need for assistance to modernise its crumbling infrastructure, are all factors that pushed Damascus towards a reappraisal of its place in the world.

Syria's participation in the US-sponsored Middle East peace process is one consequence of this "re-positioning"; so, too, was its decision in 1989 to normalise relations with Egypt and subsequently its active involvement in the anti-Iraq alliance. But for all the appearance of change, there are certain fundamentals that remain much the same.

In spite of the sweeping liberalisation in eastern Europe, there is precious little sign of a political thaw. President Hafez al-Assad's reaffirmation in a referendum last December in which he secured an improbable 99.8 per cent of the vote struck an oddly discordant note, even among Syrians used to such sham exercises in democracy.

Indeed the referendum, accompanied by "spontaneous" street demonstrations involving, among others, the local Jewish community, has spawned an underground black humour in Damascus. In one joke, Syrians were given two choices in the ballot: either vote "yes" or "inform next-of-kin". Local observers saw all the fuss over Mr Assad's reaffirmation as a sign not of strength but of insecurity.

"In spite of all his apparatus of repression, he still feels he needs to fake that degree of support," said one such observer.

Signs that Mr Assad may be seeking publicly to advance prospects for his son, Basil, an army major, are also viewed with some bemusement locally, since the young Assad does not strike people as a man "likely to succeed". One of the more curious postscripts to the leadership referendum were the posters that appeared in Damascus congratulating Mr Assad with the words Mabrook, Abu Basil – Congratulations Father of Basil.

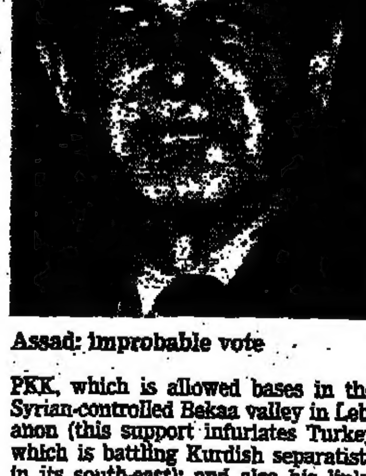
Syria's apparently contradictory impulses – it is talking peace with Israel while acquiring more sophisticated intermediate range missiles in collaboration with Iran – are entirely consistent with Mr Assad's approach over the years of seeking to keep open as many options as possible. It also almost certainly accords with his scepticism about a successful outcome to the present round of peace talks.

Egypt's President Hosni Mubarak yesterday pressed his Syrian counterpart, Hafez al-Assad to stay the course in Middle East peace talks, writes Tony Walker in Cairo.

The two leaders met in Cairo to review regional developments and to discuss Arab tactics towards the talks with Israel launched amid much fanfare in Madrid last October. Egypt, the only Arab state to have made peace with Israel, is most anxious that negotiations should continue between the Jewish state and delegations representing Syria, Lebanon and a Jordanian-Palestinian team.

Mr Assad and Mr Mubarak seem likely to have focused on whether peace talks should resume before Israeli elections in June. The fourth round concluded in Washington earlier this month without agreement on the time or venue for the next session.

Thus the Syrian leader, while seeking to improve his country's standing in the west by joining peace efforts and siding with Egypt and Saudi Arabia against Iraq, clings at the same time to what one western official in Damascus described as "his dog-eared cards": his enhanced relationship with Iran; his backing of militant Palestinian groups; his tactical thaw with the mainstream Palestinians of Mr Yassir Arafat; his support for the Kurdish Worker's Party, the PKK, which is allowed bases in the Syrian-controlled Bekaa valley in Lebanon (this support infuriates Turkey which is battling Kurdish separatists in its south-east); and also his links with Iraqi opposition groups which are given the run of Damascus, but are not taken very seriously.



Assad: improbable vote

Syrian officials say they are intensely disappointed over the lukewarm international response to their efforts to deal with misgivings about its support for terrorism, and its dismal human rights record. They point to the fact that since the 1986 Hindawi affair, in which Syrian intelligence was accused of masterminding an attempt to smuggle a bomb on an El Al flight from London, no serious terrorist incident has been linked to groups operating from Syria.

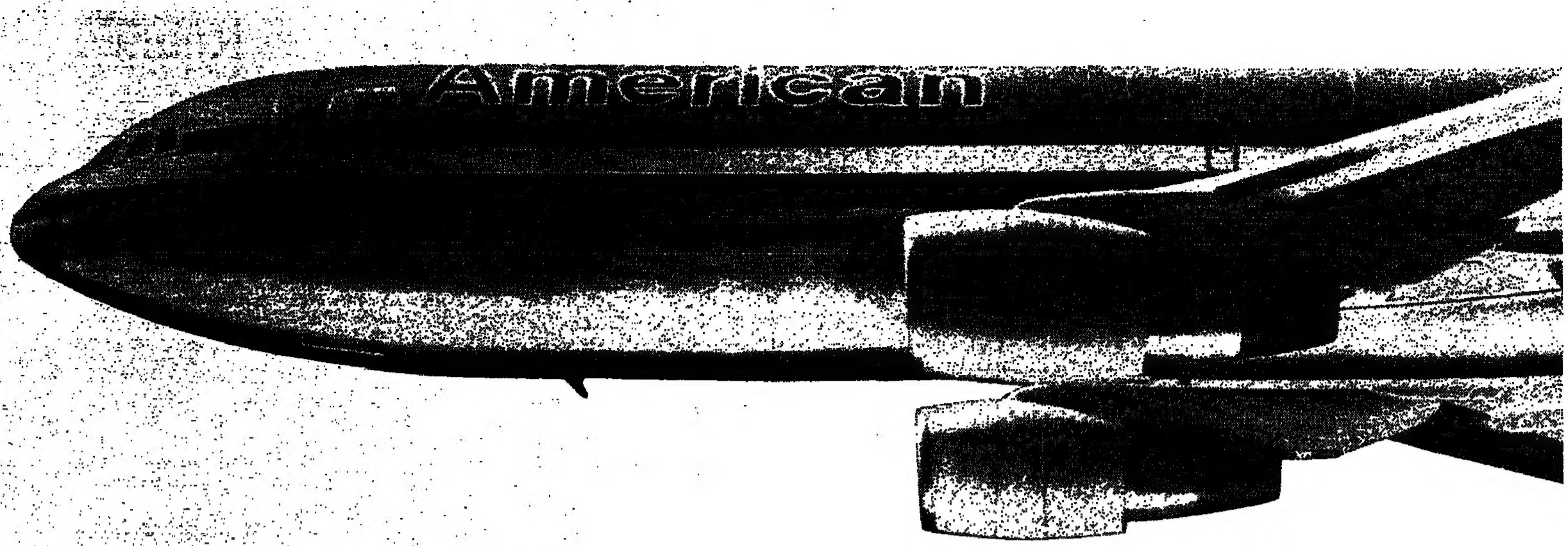
They also complain that the west and the US in particular, which continues to place Syria on the list of countries supporting terrorism, thus denying it American aid, has not given Damascus credit for the release last year of some 3,000 political prisoners (International human rights groups note 10,000 remain in custody).

The officials say they were especially disappointed by the decision of the European parliament late last year to block much-needed EC assistance in protest at Syria's human rights record.

Syria, whose population numbers about 15m, is burdened by a 3.7 per cent rate of population increase, one of the world's highest, and is in need of all the assistance it can get.

Damascus is closely watching domestic developments in Israel where an election is due on June 23. While Syrian officials say that as far as they are concerned there is little to choose between Mr Yitzhak Shamir and his challenger, Mr Yitzhak Rabin, this does not mean they are not interested in the outcome.

On the contrary: officials have been consulting western embassies in Damascus on whether the suspension of peace talks pending the election would help or harm Mr Shamir. The clear implication is that Syria would like to give encouragement to an alternative who might be more flexible on the "land for peace issue", although Mr Rabin has not in any way encouraged a belief that he might be willing to yield the Golan Heights, seized from Syria in the 1967 war.



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WORLD TRADE NEWS

Beijing opens way for development of new Hong Kong

By **Simon Davies** in Hong Kong

BEIJING has given the go-ahead for a Hong Kong-led consortium to develop a special free port zone on Hainan Island, off the south China coast, to create a "second Hong Kong". Development costs over 15 years are estimated at $HK18bn (£1.3bn).

The news is further affirmation of China's commitment to rapid economic reform. Although the new Yangpu Development Zone will remain under China's sovereignty, the land use will be controlled by the group of overseas investors under a 70-year lease.

Kumagai Gumi (Hong Kong), the Hong Kong-listed subsidiary of the Japanese construction giant, will combine with a group of investors to provide a basic infrastructure for the Yangpu Zone, building a power station, roads and sewage works. The group will then sell land for development by local or foreign investors.

The zone will be segregated from the rest of Hainan by a customs frontier, and aim to concentrate on developing export-oriented industries, making use of a deep-sea port. Enterprises in the zone will receive tax benefits above those current in the existing Special Economic Zones, *including Hainan Island itself*. No external policy will be laid down on the level of recruitment or wages in the zone.

Development will be in three phases, phase one requiring investment of $HK2.5bn and providing services for a 75,000 population. But Kumagai aims for a population of 250,000 and employment for a further 150,000 temporary residents, at the end of 15 years.

Kumagai has paid a $HK40m deposit for the land and will pay out a total of $HK140m for the site. Kumagai has been negotiating to set up the Zone for more than four years. The final line-up of the Yangpu consortium has yet to be finalised, but analysts believe Kumagai will be the main shareholder, with possible support from its parent company.

Indian group in engine deal with Mercedes-Benz

By **David Housego** in New Delhi and **Andrew Fisher** in Frankfurt

TELCO, India's biggest vehicle maker and a Tata group subsidiary, is to manufacture truck engines and components for Mercedes-Benz, in a move making it part of the German company's international production chain.

Mr Ratan Tata, chairman of the Tata Engineering and Locomotive Company (Telco) and Tata group head, said his company would make engines for use by the German company, part of the Daimler-Benz industrial concern.

Mercedes' decision to buy components from the Indian company is part of its strategy of widening its supply source to cut costs when world competition is growing. Mr Helmut Werner, a Mercedes director, said recently Mercedes intended to "put new life" into its co-operation with Tata.

Mercedes will use the parts supplied by Telco for its truck production in south-east Asia. Telco will make Mercedes engines for trucks exported under its own name to the Middle East. It will also make gear boxes, clutches, front and rear axles for the German company. This week, Telco widens its product range in India with the launch of its first car, the Tata estate car.

● **Ariane Genillard reports from Prague:** AEG, the Daimler-Benz subsidiary, is poised to take a stake in CKD, Czechoslovakia's biggest transport and engineering company, for a joint venture making transport vehicles. AEG intends to diversify CKD's production capacity of 1,200 tramcars and 550 locomotives a year, focusing on making subway cars and suburban trains.

Dunkel makes fresh plea for early end to Round

By **Frances Williams** in Geneva

MR Arthur Dunkel, Gatt director-general, yesterday launched a fresh appeal for an early and successful end to the Uruguay Round of trade talks. The delay in completing the talks, more than a year over schedule, was worsening the international economic environment and threatening the reform programmes of many developing and former communist economies, he said.

Introducing his annual report to Gatt's governing council on developments in world trade and the international trading system, Mr Dunkel said an open, liberal and credible trading system played a pivotal role in promoting growth and development. Economic growth was being held back by uncertainty and lack of confidence in government policy on the part of producers, investors, traders and consumers. Only modest recovery was in prospect in the years ahead.

"What we need, and urgently, is a significant boost to economic growth to generate the investment flows, jobs and technology transfers and increased earnings from trade without which the dramatic reform programmes under way in many countries cannot be sustained," Mr Dunkel said.

He urged Gatt members to seize the present "window of opportunity" to end the Uruguay Round in the weeks ahead. The 108 countries taking part in the round aim for a final package of Uruguay Round accords by Easter, but this deadline seems unlikely to be met. Failure of the US and the EC to settle differences over farm subsidies has brought detailed negotiations on barriers to trade in goods, and pledges to liberalise services, to near-standstill.

Mr Dunkel said the Round was crucial for Gatt's existing members and more than 20 potential members. The Baltic states and members of the Commonwealth of Independent States are expected to apply for observer status soon – a first step to joining Gatt.

Gatt disquiet at slower world trade growth

Frances Williams on a report showing the smallest volume increase for nearly a decade

THE GROWTH of world trade in goods slowed to 3 per cent last year from 5 per cent in 1990, the smallest volume increase for nearly a decade, according to estimates published today by the General Agreement on Tariffs and Trade.

Though there are signs a modest recovery may be under way, the world trade body expects growth to remain depressed in 1992, with volume rising by perhaps 4 per cent.

The meagre 1.5 per cent rise in the value of world merchandise exports to a new peak of $3,530bn in 1991, after a 13.5 per cent jump in 1990, was because of weaker volume growth, the dollar's rise against European currencies and lower commodity prices, Gatt says.

But trade in commercial services – transport, telecommunications, tourism, financial and professional services – has proved more resilient. "Very preliminary estimates" for 1991 suggest growth by value of 5 per cent, compared with 17 per cent in 1990, to a record $850bn. This, Gatt cautions, is likely to be an underestimate.

Surging merchandise exports, against the general trend, enabled the US to regain from Germany the top slot in the world export rankings last year. The value of US exports rose by 7.5 per cent, while German exports slipped by 4.5 per cent in dollar terms. The US and Germany have alternated in first place since 1986, followed last year by Japan in third place, France and Britain.

Even more impressive was the trade performance of the six leading Asian developing country exporters (Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand) which in 1991 increased the value of their exports by between 10 and 20 per cent and imports by between 8 and 30 per cent.

This "was by far the most dynamic element in world trade last year", Gatt says, more than offsetting a slowdown in exports from Japan. Asia, already North America's main trading partner, became western Europe's principal export market last year, as well as its biggest supplier.

By contrast, Gatt's economists estimate that the former eastern-bloc countries may have suffered a 20 per cent fall in the value of exports and a 25 per cent drop in imports, with imports into the former Soviet Union slumping by 42 per cent.

Last year marked the third consecutive year of declining growth in the volume of world output and trade, Gatt notes, as recession gripped North America and much of Europe. Trade growth of 3 per cent, down from 8.5 per cent in 1988, was the lowest since 1983, though it continued to outstrip world production.

Commenting on these developments, Mr Arthur Dunkel, Gatt's director-general, said a successful conclusion to the stalled Uruguay Round of trade talks would "make a tangible contribution to an improved economic outlook for the world economy" by providing predictable and stable trading rules for investment decisions.

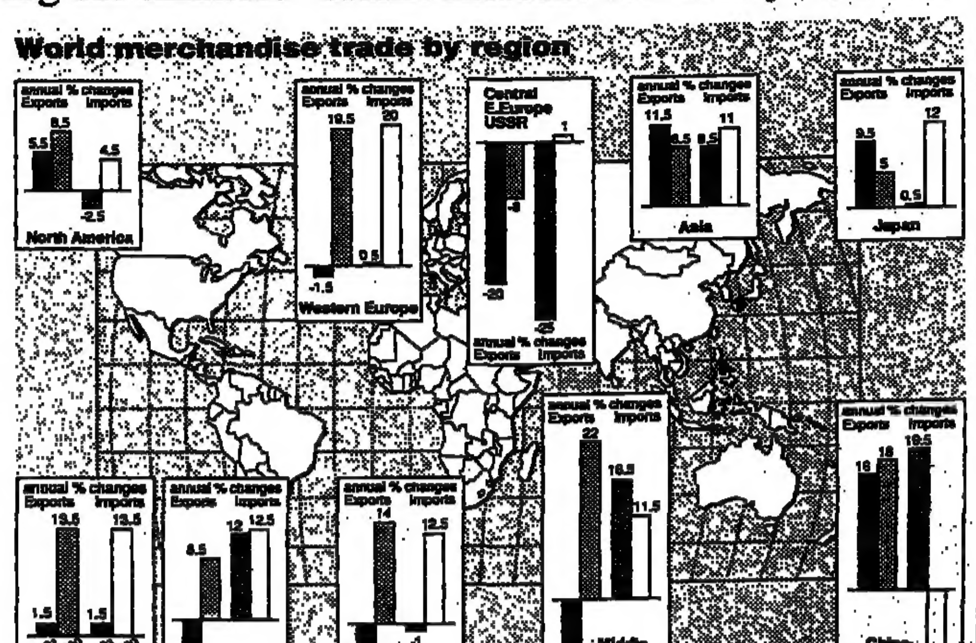
In his accompanying review of developments in the international trading system last year, Mr Dunkel notes several disquieting trends.

They include: a near-doubling of notified anti-dumping actions to 175 from 96 the year before, led by the US and Australia; a proliferation of "grey area" measures such as "voluntary" export restraints and other discriminatory trade barriers that bypass Gatt rules; and a growing reluctance of countries, notably the major traders, to abide by Gatt dispute panel decisions.

Mr Dunkel's report also highlights Gatt anxieties over a growing interest in regional trading arrangements. These are permitted by Gatt as long as they do not raise trade barriers to outsiders. Yet the working party on the US/Canada free trade agreement that reported last year was just the latest in a series of more than 50 working parties which have been unable to decide whether such arrangements are Gatt-compatible. While the increased involvement of countries in various types of regional initiatives "is to be welcomed", regional agreements need to be firmly anchored in Gatt, Mr Dunkel says.

On the plus side, 11 countries have joined Gatt since the launch of the Uruguay Round in 1986, bringing the total to 103, and another eight are in various stages of joining. The three Baltic states, Ecuador, Syria, Taiwan, Vietnam and some members of the Commonwealth of Independent States have expressed interest in eventual membership.

In addition, 16 more countries announced unilateral trade liberalisation measures last year, bringing the total since 1986 to 68 of which 51 are developing and transition economies. At the same time, the increased competition and structural change resulting from market opening and greater economic interdependence "make it urgent to conclude the Uruguay Round," Mr Dunkel concludes.



Call for new bank to boost Nafta

By **Stephen Fidler**

A DEVELOPMENT bank should be set up to ensure potential benefits are realised from the proposed North American Free Trade Area between the US, Canada and Mexico, a group of academics say.

Led by Prof Albert Fishlow of the University of California (Berkeley), they suggest the bank would soften the impact in those areas of the US and Canada hit by job losses. While overall jobs would be created, jobs would be lost and a need to facilitate new skills arise, Prof Fishlow says in Developing Country Investment Review, published by the London-based Chartered WestLB.

The bank would also help meet the need for physical infrastructure, to finance environmental improvement projects and support expansion of social infrastructure, such as education and health care in Mexico. Mexico should benefit most from the resources of the bank, which would be similar in concept to the European Regional Development Fund. The bank should be funded through an issue to member governments of partly-paid shares, such as those issued by the World Bank.

UAE pushing through law on copyright

The United Arab Emirates (UAE) is pushing through legislation to avoid being placed on a US "priority watchlist" of countries breaching international copyright laws, officials said yesterday, Reuter reports from Dubai.

The UAE aimed to legislate a copyright and trade mark and patents protection law ahead of an announcement by the US trade representative's office, they added.

In the UAE, which so far lacks laws to protect copyright and trade marks, US companies were losing "millions" every year, the officials declared.

Shops are crammed full of fake products, with some of the industry based in the UAE.

AMERICAN NEWS

Gay group holds counter-demonstration after federal court upholds march ban

Dinkins' parade boycott could cost Irish votes

By Alan Friedman in New York

NEW YORK'S Mayor David Dinkins threw political caution to the wind yesterday when he decided to boycott the city's annual St. Patrick's Day parade yesterday because the event's Irish-American organisers had banned an Irish lesbian and gay organisation from joining the ceremony.

The mayor's decision, which could alienate New York's many Irish voters as well as other ethnic groups who are Catholic, came in the wake of a federal court ruling that used a technicality to uphold the banning of gay marchers.

On Monday night, Judge Pierre Leval ruled that the Irish Lesbian and Gay Organisation was too low on the waiting list of groups wishing to join the parade to be admitted by its sponsors — the Ancient Order of Hibernians.

Mr Dinkins, who became the first New York City mayor to snub the parade in 38 years, said he would have preferred to have taken up his traditional position at the head of the parade, but could not do so in good conscience. "It is a sad day in our city," he said.

Other leading Democrats who joined the mayor in boycotting the Irish event included Mr Andrew Stein, the city council president, who plans to challenge Mr Dinkins for the mayoral nomination next year.

Governor Mario Cuomo, who had not planned to attend, issued a statement in which he expressed his solidarity with the lesbian and gay group.

Traffic in midtown Manhattan was blocked near the two-mile-long Fifth Avenue parade route, as an estimated 150,000 marchers danced, sang, played music and chanted.

Just before the parade began, the Irish gay marchers staged a brief counter-parade and demonstration near the Plaza Hotel at the south-eastern corner of Central Park.

An aide to Mr Dinkins said he hoped the decision to boycott the parade would not cost the mayor votes.

But the political backlash could extend beyond Irish-Americans, especially since a major supporter of the traditional Irish and Catholic communities is Cardinal John O'Connor, the outspoken and ultra-conservative archbishop of New York.

Mr Cornelius Doolan, a 58-year-old native of Cork who served yesterday as grand marshal of the parade, was said to be sympathetic to the request by Irish gays to join the march, but Mr Doolan told one local tabloid it was not his "function" to get involved in the debate that has gripped the city.

His only comment on the eve of yesterday's parade was: "You can bet there will be a parade, darlin'".

Manley, epitome of developing world's dilemma

Canute James charts 30 years of a third world socialist faced with diminishing wealth to redistribute

A WEEK before he was returned to office in a general election in 1989, Mr Michael Manley found himself facing a barrage of questions from incredulous journalists about his reported change in political thinking. After several attempts to explain his transition from socialism to an advocate of the free market, Mr Manley looked at one of his interrogators and asked: "Is your outlook on everything the same as it was 10 years ago?"

Mr Manley, who announced at the weekend that he was resigning as Jamaica's prime minister at the end of the month at the age of 67 because of poor health, epitomised the change which has overtaken the politics of the developing world in the past three decades.

Between 1972 and 1980, in his first two terms as prime minister of the island of 2.5m people, Mr Manley put a leftward slant on the Fabian socialist principles in which he had been schooled by his father, Mr Norman Manley, founder of the People's National Party and one of Jamaica's national heroes.

His administration then trumpeted the cause of third world control over its patrimony, advocated state control of the pillars of the economy, supported changes in the patterns of international trade to encourage south-south links and sought to restructure Jamaican society by redistributing elusive wealth to close the yawning gap between the rich and the poor.

Manley in 1977: then to some a closet communist; now a free-marketeer

He antagonised even the more liberal elements in the corridors of influence in Washington by developing close economic and political links with Cuba, Jamaica's closest neighbour. Yet although his detractors, including many in Jamaica, regarded him as something of a closet communist, Mr Manley's place on the ideological spectrum was closer to that of Tanzania's Julius Nyerere and Zambia's Kenneth Kaunda, than it was to Fidel Castro.

Now, say the political cognoscenti in Jamaica, Mr Manley's political outlook puts him somewhere to the right of Mr Neil Kinnock and the left of Mrs Margaret Thatcher. The transition came after Jamaican electors overwhelmingly rejected Mr Manley's socialism in 1980 in favour of more conservative policies of the Jamaica Labour Party led by Mr Edward Seaga. Mr Manley said that between then and 1989, when he was returned to office with a handsome majority, he reflected on the need for a new strategy to deal with Jamaica's problems.

Mr Manley's retirement has set off a contest for the leadership of the PNP and for the prime ministership. Mr P J Patterson, the party's chairman, and a former deputy prime minister and finance minister, and Miss Portia Simpson, labour and welfare minister, have thrown their hats into the ring.

The PNP, which recent polls showed with roughly equal support to the opposition Jamaican Labour Party, will meet on March 28 to choose a successor.

Miss Simpson, a relatively inexperienced politician with strong popularity ratings, has pledged her "absolute commitment" to continuing Mr Manley's free market-oriented policies.

Her relative inexperience has been seized upon by backers of Mr Patterson who was expected to make a formal announcement of his candidacy yesterday.

In January, Mr Patterson was replaced as deputy prime minister amid allegations he approved a waiver of $1.47m of duties on unleaded gasoline for Shell. The head of Shell in Jamaica, Mr Howard Hamilton, is a member of the party's governing board.

The winner of the leadership contest will have more than a little difficulty successfully continuing the economic process Mr Manley started. Having put the PNP's hard-left faction to the sword, Mr Manley did an ideological volte-face, concluding that the private sector, not the state, should be "the engine of growth" and that the government should play less of a role in the economy.

Since his return to office three years ago, this has been reflected in a programme to deregulate the island's economy and divesting state enterprises to local and foreign investors.

"Getting the party in the 1980s to accept that this new path was the one which should be pursued was a major task," Mr Manley said at the weekend. "It is getting this policy accepted which I regard as being among my most significant achievements during my 40 years in politics."

In an earlier interview he had said: "We all learn new things and we all change because we want to and because circumstances with which we deal have changed. All over the third world people have had to learn. The experience of political independence, when one was full of optimism, is followed not by a change of ideals, but by a period of learning what can be accomplished and what cannot be."

Mr Manley graduated from the London School of Economics after serving in the Royal Canadian Air Force in the Second World War. He later worked as a journalist with the BBC between 1949 and 1952, when he returned to Jamaica to became an organiser of the National Workers Union, affiliated to the PNP led by his father. He entered politics in 1967 when he became a member of parliament, and has been an MP since, except for five years in the 1980s when the PNP boycotted a general election over a row about the state of the voters' register.

As he disengages, Mr Manley may conclude that those who follow him will have an easier time.

"Politicians cannot run countries," he once said. "They only set directions." He did try to run Jamaica in the 1970s. His memoirs are likely to suggest that he tried too hard.

Bad-cheque affair bounces back at Republicans

By George Graham in Washington

AFTER WEEKS of accusing their Democratic opponents of bouncing cheques, the Republicans are discovering that accusations, too, can bounce back.

The Republican administration has gleefully watched the Democrat-dominated Congress tie itself into knots over the revelation that 355 present and former congressmen wrote bad cheques on their accounts at the House of Representatives' private bank.

Some members used the bank, which covered these cheques without charging any fee, to provide what amounted to interest-free loans, and Republicans rubbed their hands as they observed that most of the worst offenders were Democrats.

Now, however, it has turned out that the list of those who overdrew their accounts includes not only current Republican congressmen, but also three former legislators who now sit in the Bush cabinet.

Mr Dick Cheney yesterday acknowledged writing at least 21 "problem cheques" in 1988 and early 1989, before President George Bush named him defence secretary, while Mr Edward Madigan, agriculture secretary, said 49 of his cheques were held for payment by the House bank while he was a congressman.

Ms Lynn Martin, labour secretary, also said she had written 16 cheques with insufficient funds in the 39-month period covered by a House investigation.

Although no taxpayers' money is at stake – in fact, the only losers were other congressmen – the House bank scandal has fuelled irritation across the US at the privileges of politicians.

Leading Republicans such as Congressman Newt Gingrich had sought to depict the scandal as an indictment of the Democrats who have controlled the House without interruption since 1954 and who have prevented President Bush from passing legislation.

Brazilian central bank bars sell-off incentives

By Christina Lamb in Rio de Janeiro

EFFORTS to attract greater foreign participation in Brazil's privatisation programme are being blocked by the central bank, which fears the move might interfere with negotiations on the government's debt to foreign banks.

Both domestic and foreign debt can be used to pay the government for companies being privatised, but under current rules the domestic debt is swapped at face value while foreign debt carries a fixed 25 per cent discount rate.

Mr Eduardo Modiano, co-ordinator of the privatisation programme, believes this discount is the main reason for the lack of foreign participation so far. Of the $1.72bn raised by the programme, only 1.9 per cent has been paid in foreign debt paper. "The discount is not attractive and it seems like discrimination against foreigners," Mr Modiano said. He wants to replace this with an auction system to let the market set the value.

Mr Modiano fears that without access to the $45bn stock of MYDFA – the technical term for the bulk of Brazil's debt to foreign banks – the programme will raise far less than originally planned. He said in an interview yesterday: "I have no doubt that if we had a smaller discount we could achieve a higher price and attract a larger number of investors."

The new rules were planned to be in place by mid-March. However the central bank insists that any such changes must be reserved as bargaining chips in Brazil's external debt negotiations which restarted in New York yesterday.

ELECTION 1992

BUSINESS SUPPORT

Executives close ranks behind Tories

By Charles Leadbeater

LEADING business executives are closing ranks behind the Tories in an unprecedented show of support at such an early stage of an election campaign.

Industrialists say senior party figures such as Mr Chris Patten, party chairman and Mr John Wakeham, energy secretary, have played an increasingly important role in galvanising business support in recent weeks.

The party's fundraising efforts in the area, led by its deputy treasurers Lord Laing of Dunphail and Sir John Cope, have been stepped up in recent months.

A senior political and public relations adviser to several large companies that support the Tories said: "After flirting with the Labour party, people now realise the race is serious. Money has been pouring into the party over the past few weeks."

He said Mr Patten had recently moved to rebuild the party's relations with businessmen closely associated with Mrs Thatcher, the former prime minister, after initially taking a "cavalier approach" to Thatcherite business supporters following Mr Major's election as party leader.

Mr Bob Worcester of Mori, the polling organisation, said: "Business is playing a more assertive, more prominent role in this election because the contest is so close. In 1983 and 1987 the Tory party went into the election with a comfortable lead so it was less necessary for business to make its position clear."

The strength of business support for the Conservatives suggests that Labour has largely failed in its attempts to woo industrialists.

Labour's most prominent business supporters such as Lord Hollick, the managing director of MAI, the financial services group, will be appearing later in the party's campaign. Labour's finance and industry group, which brings together the party's business supporters, will today argue its case in a letter to The Times, in response to a letter from 43 leading businessmen supporting the Conservative party published in yesterday's Times.

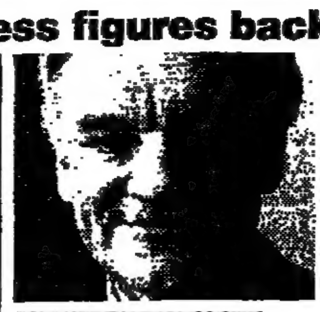
The letter followed the publication on Monday of an FT-Mori poll which showed that 92 per cent of business executives wanted the Conservatives re-elected, largely because of their record on economic management and personal taxation.

Sir Allen Sheppard, chairman and chief executive of Grand Metropolitan, the international foods, drinks and retailing group, who organised the Times letter, said he had circulated a draft of it to about a dozen friends two weeks ago. Other industrialists volunteered to sign. Sir Allen said that had the publication been delayed for a week more than 100 executives would have signed it.

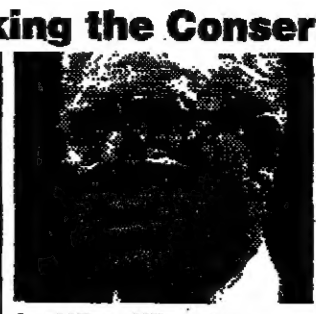
He denied that Conservative central office had encouraged the group to write the letter.

Leading business figures backing the Conservatives

Sir Alistair Grant joined supermarkets group Argyll in 1977, and has been chief executive since 1986. Group pre-tax profits rose from £64.6m in the year to March 1986 to £290.8m last year. Argyll's annual report puts Sir Alistair's remuneration at £518,000; under Labour his extra tax burden would be about £92,000 a year, or £1,770 per week.



Sir Allen Sheppard joined GrandMet in 1975 and became chief executive in 1986. Pre-tax profits of the group have grown under his leadership from £368m in the year to September 30 1986 to £963m last year. His 1991 emoluments are put at £713,391 (excluding pension benefits); the rough cost to him of Labour's proposals would be £129,450 a year, or £2,490 a week.



Lord King of Wartnaby has been chairman of British Airways since 1981. Since the company was privatised in 1987, profits have risen from £162m in that year to £285m in the first nine months of the current financial year. BA's last report and accounts show Lord King's emoluments as £407,650 a year, so Labour could cost him £71,358 a year, or £1,372 a week.

Peter Davis joined Reed International from J Sainsbury in 1986, becoming chief executive later that year. The publishing group's profits have risen from £188m in the year to March 31 1987 to £222m last year. His emoluments (excluding pension contributions) are put at £310,569. On that basis, Labour could cost him £52,900 a year, or £1,010 a week.

Stanley Kalms is chairman of Dixons, the electrical goods retailer, which he joined in 1948. Pre-tax profits have been damaged by the recession, falling from £102.6m in the 1986-87 financial year to £81.7m in 1990-91. The Dixons report shows his annual remuneration at £566,132; the cost to him of Labour would be £101,450 a year, or £1,950 a week.

Figures are based on earnings in annual report. They assume that figures shown are taken as salary (rather than other taxable benefits); they do not take into account the proposed change in child benefit

Smith gambles with the affluent

Philip Stephens unravels the implications for marginal seats of Labour's tax proposals

IT IS the biggest gamble of the campaign. As the details of Mr John Smith's shadow Budget settled into the country's electoral landscape yesterday the political judgment emerged from the complicated arithmetic of his proposed tax and benefit changes.

In the battle for the marginal seats on which a Labour victory depends, the shadow chancellor has decided to sacrifice the potential support of the affluent in a drive to reassure the skilled working classes.

If last night's polls prove a reliable guide it will work. The survey taken after Mr Smith's announcement pointed to a 5-point Labour lead – the same result as a poll taken before plans were unveiled.

But the Conservatives, who have three weeks to "unpick" the plans, claimed the package was a bad miscalculation: that Labour had alienated too many of the modestly well-off.

Their judgment was that the plan to abolish the £21,000 ceiling on National Insurance contributions would swing back to the government many of the 30 or so seats in London and the south-east which have been targeted by the opposition.

The Labour leadership was equally adamant that it had kept the balance of advantage. As Mr Smith put it, Labour was not chasing votes in the stockbroker belt. It was support of a much larger segment of the electorate, the average taxpayer and average family, which it was after.

Mr Smith won independent backing for his claim that across the country eight out of 10 taxpayers would be better off under his package and that of those remaining only 10 per cent would be losers.

But it is not as simple as that. The distribution and present political allegiance of those voters may turn out to be just as important as the numbers.

In London, where Labour is hoping to win at least 20 seats, the independent Institute for Fiscal Studies calculated that the number of losers rose to 18 per cent. In the south-east, where Labour may win another 10 seats, the proportion worse off from the package was put at 14 per cent.

The Conservatives – who do not accept that the IFS has included all of the "hidden" tax increases in the calculations – said that in constituencies where the outcome depended on a few thousand votes or less the losers would give them a decisive advantage.

Mr John Major reeled off a list of those who would have to pay the extra 9 per cent in every pound earned over £21,000 a year. They were not just the rich: a primary school head teacher would pay an extra £560 a year, a secondary school head; £1,500, a senior hospital registrar; £517 and a GP; £1,700. To that list his strategists attached the names of marginal constituencies such as Slough and Basildon, Dulwich and Battersea, Hampstead and Croydon North West. The message to those seats is that Labour does not plan an extra tax on the rich but on those whose incomes are not far above the male average of £18,000 a year.

One member of the cabinet said that Mr Smith, for all his presentational skills, had forgotten the golden rule of politics. Gainers from tax changes were rarely thankful but the losers always screamed. He has also failed to appreciate that "people do not think statistically". Many of those who earned less than £20,000 aspired to incomes above it.

There are other constituencies where concentrations of relatively affluent voters might tilt the balance. Elmet in North Yorkshire, Birmingham Hall Green, Southampton Test and Chester fall into that category.

Mr Smith recognised the risks but judged that it was one he had to take. The careful package of increases in tax thresholds, the abolition of the starting rate of NICs and the increases in child benefit and pensions had a single objective: to persuade those earning between perhaps £10,000 and £20,000 a year that they have nothing to fear from Labour.

For Labour they are the swing voters whose crosses on the ballot box will decide the election. The party's research showed that the Conservatives had been successful in persuading many of them, particularly in marginals, that they faced substantial tax increases. Labour had to reassure them.

Mr Smith's assessment was that winning back their support was more important than appealing to a smaller segment of the electorate which leaned heavily towards the Conservatives. The shadow chancellor, of course, would not admit such cynical motives. As an aide said: "This was an occasion when we could be morally correct and politically wise."

Additional research by Gareth Smyth

Altruism and fear in middle ground

A MIXTURE OF resignation, fear and altruism was expressed by middle-income professionals yesterday facing the prospect of higher taxes under a Labour government.

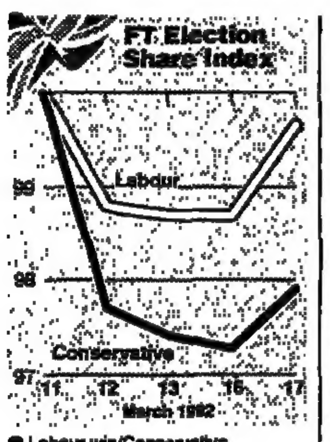
Mr David Land, an Edinburgh bank official earning between £30,000 and £40,000 said: "Labour's tax plans would make me more miserable. Most of my money goes to looking after our family. I would like see John Major returned by a whisker, but also to get constitutional change in Scotland." He plans to vote Liberal Democrat.

Less certain about his intentions was Mr Keith Green, who is in the same earnings bracket. An account director at a London marketing consultancy, he said that under Labour he would pay more tax without any guarantee of improved public transport or education. "They seem to be taking money from a small group and giving it to another," he said. "I'll vote either Tory or Liberal Democrat."

The resolve to vote Conservative was a strong as ever for Mr Adam Applegarth, 29, assistant general manager at Northern Rock building society in Newcastle upon Tyne. He earns £45,000 a year. "I don't believe John Smith can hold the line against their spending ministers," he said.

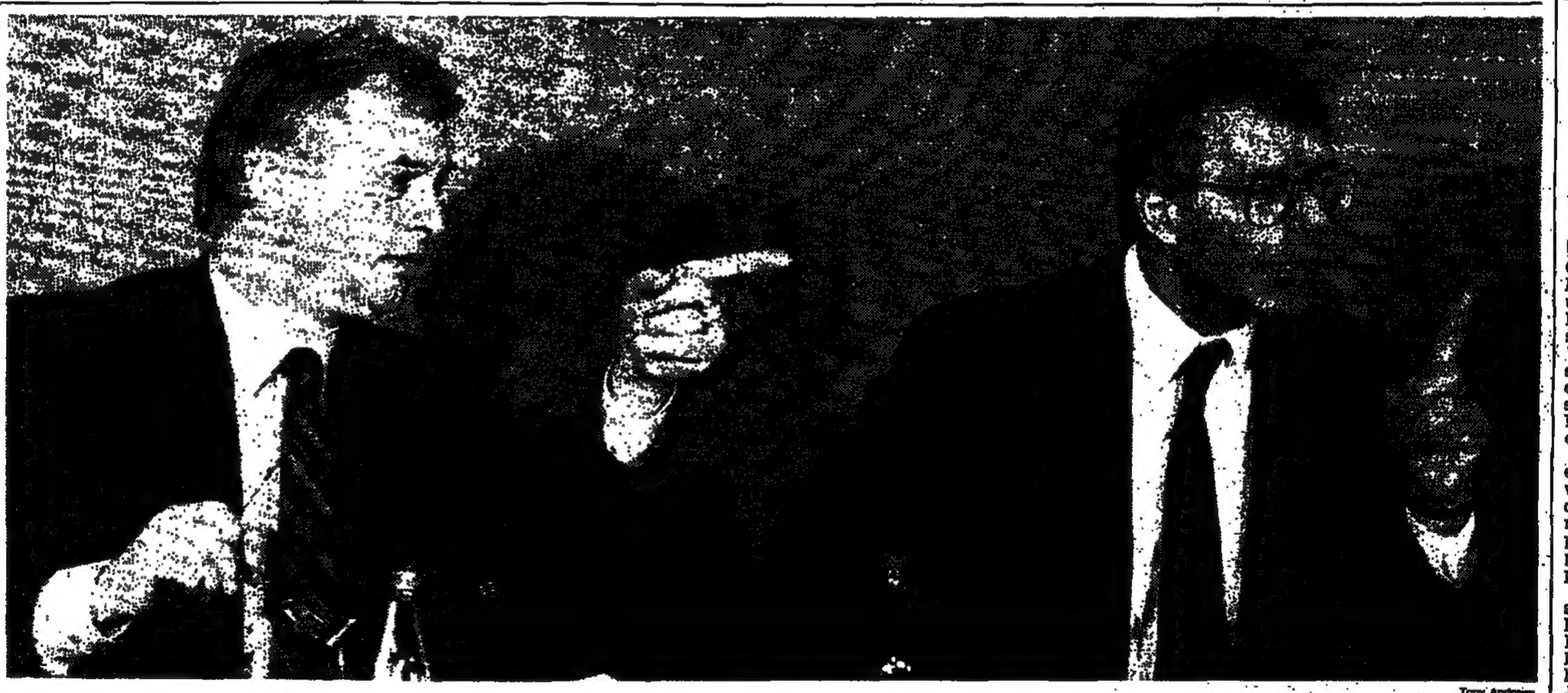
Mr Roderick Nicol, an Exeter management training consultant on £50,000, would be hit by Labour's proposals. "I'm not sure I trust any of the parties to spend money wisely," he said. He planned to stick with the Conservatives.

Reporting by Daniel Green, Chris Tighe, James Buxton and Richard Tomkins.



● Labour win/Conservative defeat stocks..........99.71 +1.00
● Conservative win/ Labour defeat stocks......97.90 +0.65

AS THE stock market as a whole moved up for the first time since the election announcement the shares in the "Labour gainers" section rose faster than the "Conservative gainers" yesterday. This continues the consistent out-performance by the Labour shares, which are nearly back at their level on the announcement day. Shares chosen are based on analysts' predictions of sectors that will gain or suffer from a change of government.



Tony Andrews

Following the same direction: Tory party chairman Chris Patten and prime minister John Major yesterday make their points at a morning campaign conference

Ashdown campaign takes to the road

By Ralph Atkins

ONE six-year-old girl at Darrel Primary School in Richmond upon Thames thought Mr Paddy Ashdown had a very special policy.

"An animal welfare commission – that's a very powerful commitment," he said during a stop-off on his whirl around London on the first day of his campaign roadshow.

The Liberal Democrat leader's breakneck tour of seats where his party has the best chances of success was about matching policy messages with photo opportunities and the people he met with, well, more photo opportunities.

Mr Ashdown is confident of snatching Richmond and Barnes from Mr Jeremy Hanley, the junior Northern Ireland Office minister who has a majority of 1,766. Dr Jenny Tonge, Lib Dem candidate, admitted the party was supposed to win in 1983 and 1987 – but this time the Tory vote could prove much softer.

"This is the first time we have been on a high locally, with a huge majority on the local council and an unpopular Tory government," said Dr Tonge. Lib Dem posters already flutter amid suburban, albeit recession-hit, prosperity.

Mr Ashdown focused on education. Hence his audience with children, not councillors or canvassers. What is a politician, he was asked? "A politician is someone who lies for his party abroad," he replied, adapting an adage with perhaps reckless aplomb.

Earlier in Sutton and Cheam (Tory majority 15,718), Mr Graham Tope, who won the constituency for the Liberals in 1972, said the Tory vote was "soft and crumbly".

Mr Ashdown concentrated on the environment – and more children. Television crews waded through a pond to film Mr Ashdown returning frog spawn with toddlers.

In Southwark and Bermondsey (held by Mr Simon Hughes for the Liberal Democrats with a 2,779 majority over Labour), the theme was health and promises of job creation.

● The Liberal Democrats would reduce the rate of basic income tax to offset local taxes raised by regional assemblies, Baroness Seear, the party's deputy leader in the House of Lords, said yesterday in Liverpool.

In the first of a series of regional manifesto launches she will make this week in northern England, she said there would be a shift of spending from central to regional government, with a corresponding shift in tax raising. A regional assembly could raise more local money, in effect increasing the 26p standard income tax rate in the region.

Aslef halts campaign on sell-off

By Michael Smith, Labour Correspondent

ASLEF, the train drivers' union, yesterday postponed a campaign against rail privatisation after legal advisers said that it should not go ahead during the election campaign.

The union was told that it could be open to a challenge that it was providing hidden finance for the Labour party, which opposes privatisation.

The Trades Union Congress is also advising unions that local agents for the Labour party must be consulted on anything which promotes the party and its candidates.

Aslef did not have the time to contact them before today's scheduled launch.

The union had planned in its campaign to press for a revitalised British Rail and to argue that privatisation would push fares up.

Mr Derrick Fullick, Aslef general secretary, said the union's campaign would be reviewed after the election.

CORRECTION

Sir Robin Day

SIR Robin Day will interview the leaders of the three main political parties for Thames Television, and not for Sky News as stated in Monday's Financial Times.

Red sweater and kippers v Elgar on the cliffs

Nigel Andrews finds no adventure in the Tory political broadcast

"What you see is what you get" is the PR slogan we have grown used to as a description for John Major. In John Schlesinger's campaign film for the Conservatives, The Journey, what you see is what you quickly forget.

The film's unshowy style is merciful in one way. There are no shots of John and Norma walking hand-in-hand along Elgar-haunted clifftops. But the hidden message may be equally strident. The matter-of-fact footage of the PM in a car revisiting his natal Brixton, interspersed with footage of him sitting on a verandah recollecting his humble origins in tranquillity (he craftily wears a red sweater), is so low-key it is almost hectoring.

The message is clear and loud: a man born poor need not grow up to be a socialist. The manner is clearer and propagandistically louder: this is a soft-spoken Mr Nice Guy and he might knock on your door for a cup of tea at any moment.

The PM is filmed buying kippers and tomatoes in a market. From his or Mr Schlesinger's moving car he peers out at his childhood addresses, in awe that the houses still survive. He points down a street saying that that was where he used to put up soapboxes and make speeches as a youth. "Some people used to engage in badinage," he comments, a locution only Mr Major could produce.

Cunningly the man in the red sweater keeps chipping in, emphasising the message behind all the childhood recall: that absolutely everything is safe in Conservative hands. The economy, education, health, Britain, the world.

He shows us the very house in whose back garden he played cricket, he says, for hour after hour. And he is shown putting those hands to good use in the film's climactic montage (music, please, Mr Purcell) where he shakes his manual extremities – I am trying to catch the Major style – with the likes of Bush, Mandela and Yeltsin.

A statesman; a man for all seasons; a safe pair of hands. The country is reassured, which is a small triumph for Mr Schlesinger, but I am still worrying about what the Number 10 chef is expected to cook with the tomatoes and kippers.

Media Watch: **Ian Hargreaves**

Broadcasters put themselves on the schedule

THERE is a danger in all this media watching, but please read on. In Monday's Guardian, Loughborough University's monitors unveiled a survey of time devoted to election issues on TV and radio.

No surprise that in week one the two most covered themes were the economy and Mr Major's trip to the palace. But in third place? None other than "the role of the media".

Introspection of this kind leads to self-consciousness and we have already seen some pretty self-conscious broadcasting.

Tonight's Dispatches on Channel 4 promises to warm over well-known grouses about alleged political interference and "self-censorship" on the BBC and ITV in the 1987 election.

New life has been breathed into this topic by the BBC's foolish withdrawal of a Panorama treatise on the economy and a spate of equally misjudged attempts by politicians to dictate the terms on which they will appear on programmes, the most recent being Paddy Ashdown's withdrawal from a Channel 4 News interview because his party's manifesto was not being given lead-story status.

It is this daily jostling for tactical advantage which is the real stuff of the broadcasters' political battles, not the systematic subversion imagined by conspiracy theorists.

The BBC's Nine O'Clock news has made an impressive and influential start in spite of opening with an inexplicable shot of the back of the newscaster's head.

John Simpson's despatch from the prime minister's first "meet the people" session ruffled feathers by proclaiming the event a touch bland and overstaged. Central Office would be wise to react by improving the event, rather than complaining to the BBC.

On air, the mood has been anything but cantankerous. The politicians must have been told to keep talking and avoid brawling. Chris Patten, the Tory party chairman, began one reply the other morning with a sugary: "If you don't mind me being a little critical, that's complete drivel." As a Daily Mail cartoon put it: "They never keep their promises – where's this really dirty election we've been looking forward to?"

Part of the broadcaster's objective is to penetrate this wall of self-control. From that point of view, Panorama's debate between Messrs Lamont, Smith and Beith on the economy was a write-off. Although Mr Smith's plain language easily outpointed Mr Lamont's City-ese, a lugubrious and over-formal set quenched what passion arose.

By the way, don't take my word for that: Anthony Howard popped up on Newsnight as soon as Panorama was off the air to dismiss his sister programme's efforts as over-refereed.

In searching for its own way through the political radiation shield, Newsnight has come up with the idea of having politicians from two parties interrogate a third. I suspect this approach may yet draw blood, though not with inquisitors as sweet as Labour's George Robertson and the Conservatives' Virginia Bottomley, who were Monday night's questioners.

Many programmes, including an over-long ITV offering called Special Inquiry, have brought floating voters face to face with politicians in TV studios.

These events invariably flop. Package Mr Ordinary inside a studio and he usually becomes Mr Dull. Old-fashioned phone-ins, such as the BBC's Election Call, work better; the fact that you can't see the caller is offset by the sense that the interrogator can be more at ease than the politician.

But if you want dirt, abuse, outrageous deceit and absence of all scruple, you will have to turn to your daily paper.

There are not many floating voters in Fleet Street and already The Sun, Mail, Express, Telegraph and Times (combined daily sale 8.1m) have declared for the Tories, with only the Mirror/Record (sale 3.6m) clearly in the Labour camp.

If Mr Patten wants lessons in how to sharpen his message, he need only consult the Mail, whose front page on Tuesday showed John Smith shaking cash from the pockets of a terrified resident of middle England. The headline read: "If you make it, they'll take it", and the summary of Labour's fiscal policy was: "Crush the rich, squeeze the middle classes and put the bite on anyone with a private pension".

All the Mirror had to offer by way of riposte was a "Goodbye to all this" headline alongside snaps of Mr Smith waving (surely some mistake?) and sundry hard-up Britons; that and a page two story suggesting Mr Major has a face like a fish. As a propaganda contest, it's the Bash Street Kids versus The Terminator.

Arts, Page 17

ELECTION 1992

Major backs school entrance tests

By Philip Stephens and Andrew Adonis

CONTROVERSY over whether state schools in England and Wales should be allowed to set entrance tests for pupils dominated yesterday's campaigning.

Mr John Major, the prime minister, endorsed selection but insisted that it would not become widespread, while opposition parties condemned any move back towards a divided schools system.

The Tories' education policy, launched yesterday, puts encouragement for opting-out at the top of the party's agenda for schools. It includes a commitment that grant-maintained schools "will be able to change their character if that is what parents clearly want and the change fits in with the wider needs of the local area".

That implicit backing for a return to selection was attacked by Mr Neil Kinnock, the Labour leader. "It appears that the government is intent on introducing secondary moderns and selection through the back door," he said.

Mr Matthew Taylor, Liberal Democrat education spokesman, said: "Tory plans for education don't mean parents choosing schools; they mean schools choosing children."

At his first campaign press conference, Mr Major predicted that the number of schools opting for grant-maintained status would rise sharply from its current level of 200 once the government was re-elected. Predicting a "revolution" in education, he sought to dismiss suggestions that many schools would opt for "grammar school" status. He hinted he would act to prevent too many becoming selective.

Mr Major said: "We are in favour of choice. This isn't going to open the door to huge numbers of grammar schools right across the country replacing the present comprehensive system. That isn't going to happen."

Where schools wanted to become selective, "the secretary of state would not only look at the particular position of the school concerned", Mr Major added. "He will also look at the range of school and opportunity available in the area. There may be some additional grammar schools. But it isn't going to be a widespread switch from the comprehensive system to the grammar school system."

Mr Major, who defended the government's education record and blamed local authorities for poor standards, said he expected an "avalanche" of schools to seek grant-maintained status after the election.

Questioned about the preference of most cabinet ministers for the private sector, he said: "We are the party that believes in choice. What I am determined to do is to improve the quality of education in the state system so that everybody may feel absolutely confident in sending their children to the state system."

The Conservative education manifesto – entitled The 39 Steps – includes only one new policy. Small schools will be able to opt out of local authority control in groups, sharing management costs. Mr Kenneth Clarke, education secretary, said this would be particularly attractive to small primary schools.

The manifesto is silent on the organisation of schools should a large number opt out. It is widely expected that the government would be forced to appoint regional funding councils to manage them, but Mr Clarke refused to confirm this.

Mr Clarke committed the Conservatives to "uphold" – not expand – the controversial assisted places scheme, under which the fees of more than 30,000 pupils at private schools are paid by the government.

He also pledged to "maintain the popular and well-respected A-level examinations". Labour and the Liberal Democrats propose to replace these with a broader qualification.

"The next steps are to promote choice and diversity in our schools," said Mr Clarke. "More grant-maintained schools and more schools with a technology emphasis will mean a greater variety of schools. We will back the choice of parents by ensuring that popular schools are given the resources to expand."

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Quotes of the day

I want to see all parents, not just those who can afford to pay school fees, with a real choice of school for their children

John Major

I don't think, on the basis of the long-term record, the perpetual experimentation in schools, the fall in reading standards, crumbling buildings and oversized classes, he [John Major] can be taken very seriously on the subject of children's education

Neil Kinnock

What is offered is fictional choice for parents, Conservative dogma and limited opportunities for children

Doug McAvoy, general secretary, National Union of Teachers

I'm not sorry that I shall never be seeing some of it again. A great deal of it is absolute deceit and hypocrisy

Sir Charles Irving, Tory MP for Cheltenham, on his retirement from the House of Commons

This is just a starter; just the first offensive prawn-cocktail from someone who boasted about his prawn cocktail offensive. The disaster of a Labour government would give us a main course and pudding of even higher taxes

Kenneth Baker, on John Smith's alternative Budget

It's now or never. Go for it

Sean Connery, urging Scots to support independence

"He must be brilliant if he can count up that high"

Ashley Ashwood

Neil Kinnock meets a primary school pupil in Kingswood, Bristol, as education rose to the top of the election agenda

THE CAMPAIGN MACHINE: LABOUR

Lean team looks to the last lap

Ivo Dawnay on how the party plans to avoid a re-run of the 1987 race

FOUR times; or was it five? The talking point among Labour's spin doctors yesterday morning was how often broadcasters on Monday had referred to Mr John Smith as the chancellor.

It is not difficult to see how the slips occured. Labour had teed up the shadow Budget to emulate the real thing. A Budget box and a walk with a borrowed dog in St James's Park were rejected as over the top. But it was launched in the Edwardian sobriety of the Institution of Civil Engineers and was intentionally free of the glitz, posters and slogans that characterise a normal Labour press conference. Details such as the Red Book and even the phrasing of Mr Smith's speech – "I turn now to taxation…" – were mobilised to maximum effect.

The fruits emerged in Martyn Lewis's chancellor blunder to an audience of more than 8m viewers on BBC's Nine O'Clock News.

How much does any of this matter? Labour's view is that, with the main parties level, every trick helps. Its switch of its Budget launch to Monday, for example, casually blasted Mr Ashdown's manifesto off the front pages.

Buoyed by these successes, the campaign team makes some grander boasts. This week it argued that it had tricked Mr Lamont into the 20p tax band by hinting this was the course favoured by Labour. A 1p base-rate cut in the Tory Budget would, they say, have been politically more counter-productive. True? Who knows. But the claim seeks to feed the impression that the Opposition is hungrier and smarter than its opponents.

The battle plan rests with a slimline inner team – the eight-strong campaign management committee – that meets at dawn and dusk to direct operations. These backroom generals will run the party as Mr Neil Kinnock zig-zags across the country.

The publicly known faces are Mr Jack Cunningham, the affable, if sometimes brittle, campaign co-ordinator and Mr Bryan Gould, the camera-friendly shadow environment secretary, who headed the highly praised but unsuccessful 1987 effort.

Less-known, but at least as important, are Mr David Hill, sitting in Mr Peter Mandelson's vacated chair as communications director, and Ms Patricia Hewitt, a one-time Kinnock press officer, architect of the new professionalism in 1987 and an author of the manifesto. They will have a decisive role with Mr Neil Stewart, a close aide from the leader's inner office, in selling any switch in strategy to Mr Kinnock.

Other team members include Mr Larry Whitty, Labour general secretary, and Mr Philip Gould, chief of the ghostly Shadow Communications Agency that handles Labour's advertising and image.

The group's strategy has long been mapped out. First, Labour confronted the Tories' tax and spending plans head-on with the shadow Budget. Second, at today's manifesto launch, it will tie its Budget proposals with its public investment priorities in an upbeat tone of Euro-social democracy, contrasted with a Toryism depicted as ideological, dry and out of touch.

The second week must build a bridge between the party's plans for the economy and its offensive on its "winning agenda" for the National Health Service and schools. Finally, the party will wrap the package up with a big bow, inscribed: It's Time for Labour.

That is the theory. Yet the strategists know that life is not so smoothly manipulable. They remember from 1987 that gaffes and the unexpected often spell the difference between success and failure.

Mr Kinnock argues that it was lack of liaison over tax policy that undid the triumphs of "Kinnock – The Movie", the much-praised party election broadcast, and prevented the Tories being held to a majority of half the actual outcome.

Elaborate precautions have been taken against a repetition: spokesmen are under strict instruction to consult before they comment.

Unadorned with Vote Labour stickers, a nationwide team of assessors has been set up. They will monitor the regional media and check the hospitals for slip-ups or cutbacks to feed through to the grandly named Media Initiatives Unit as raw material for news stories.

It sounds like something from a John le Carré novel. The team, originally dubbed the 10 Last Days committee, hopes to learn from the Tories' wobbly Thursday in 1987 when a panicked Mrs Thatcher stepped in to reorder the Conservative campaign. The assessors will provide objective data to allow headquarters an overview in case a different direction is needed as fatigue sets in on the last lap.

Joe Rogaly

Smith takes the lead

It is beginning to look as if it may all be going horribly sour. Last year Mr John Major believed his own Treasury's forecasts of an end to the recession before Christmas 1991. He should have known better. It is always an error to believe the Treasury. The forecasts were wrong, and so was the prime minister. He missed at least three good chances of calling an election on dates favourable to the Conservatives. Then the Majorites convinced themselves that they could face the voters in the middle of a prolonged recession and get away with it. This morning it appears that they may have been mistaken about that, too.

They believed that the Budget presented by Mr Norman Lamont last week would set their campaign off to a flying start. It had no effect whatsoever. They thought that a schoolboy lark of a tax reduction would catch the opposition out. It did, for about two hours. Then the shadow chancellor, Mr John Smith, showed his boss, Mr Neil Kinnock, how to spring free.

The Labour leads of 5 percentage points recorded in two opinion polls this morning are all Mr Smith's work, or nearly all if you take into account the assistance of Mr Norman Lamont. Mr Smith, who looks like a chancellor of the Exchequer, easily outperforms the Conservatives' Mr Lamont, who does not. I do not wish to be unfair to Mr Lamont, who has made the best of a difficult brief, but politics is not his strong suit.

Nor is strategic thinking, unless you believe that the government's 20-per-cent-band Budget strategy was really Mr John Major's, or that of a committee of himself and close colleagues. Either way, it flopped. Mr Smith merely rejiggled the figures. He proposes to soak high earners in order to finance a tax bribe that will put some change in the pockets of 80 per cent of the electorate and increase pensions and child benefits for important sub-sections of it. Not only did he offer money, he also offered increases in expenditure on health and education to salve the consciences of the recipients of the bribes – and all for a public sector borrowing requirement not a penny larger than Mr Lamont's.

Mr Smith then showed superhuman capacity as a salesman. He spent an indefatigable 24 hours appearing on every TV and radio spot,

The choice may boil down to which team of politicians is the most trusted

always looking like the most amiable, the most trustworthy, the most sagacious politician around. Mr Lamont assisted, by coming across as lugubrious, tetchy, and out of touch with the details of his brief. Today's polls are the pay-off.

The question is, will they last? Labour leads in six of the nine polls taken since Mr Lamont's Budget, and in two of the three taken since Mr Smith's. Yet the game is not over. There are still three weeks to go. The Labour lead could melt away, to be replaced by a Tory advantage. It is hard to see what will achieve this, but elections are choreographed by the unpredictable.

They are also choices of government teams. In previous elections differences in ideology or class interest determined voting behaviour. Now the parties are competing for a narrow stretch of middle ground. The outcome may well boil down to which of two sets of politicians is the most trusted. On the basis of the Budgets, Labour wins the first round. It may also be winning the argument about the continuing recession, although until very recently the public still trusted the Tories as the party best suited to get us out of the mess they got us into.

This morning the two larger parties will publish their manifestos. This is a round yet to be fought. Do not expect too much of it. British voters are not intellectuals. Hardly any calculate the merits and demerits of every aspect of politicians' published documents and speeches before deciding who to support. That is why the parties are selling their best faces. The Tories probably have a few high cards here, but they do not win in every important department. Labour's Mrs Margaret Beckett is a more convincing chief secretary to the Treasury than Mr David Mellor. Mr Gordon Brown is a forceful Labour spokesman on industry. This knocks out his Tory opposite number, Mr Peter Lilley.

The Conservatives have a huge asset in Mr Douglas Hurd, whose evident suitability for the job of Foreign Secretary is magnified by comparison with the negative image projected by his Labour shadow, Mr Gerald Kaufman. This is bad luck. Mr Kaufman is an amiable fellow in private. He is a student of musicals in general and Gene Kelly's show-stopping splash-dance in "Singin' in the Rain" in particular. Alas, he too often defeats his own purpose by adopting a vituperative approach to political discourse.

In the end the Tory campaign centres around the personality of Mr John Major. He chose the strategy. He is the strategy. He is effective in tonight's broadcast. Watch. You may decide to ignore this morning's polls and bet on him. It's your money.

Recession questions dominate PM's trip

By Alison Smith

QUESTIONS ABOUT the recession dogged Mr John Major yesterday as he visited two schools in his first day on the campaign trail, designed to reinforce the party's education policy launch.

At his first stop, a primary school in the constituency of Grantham – Mrs Margaret Thatcher's home town – the prime minister emphasised once more that only electoral uncertainty was hindering the recovery.

"The impediment that lies between us and the people beginning to reinvest and lift out of recession is the general election," he said, after ruffing the hair of some children waving at the press cameras outside the school.

"Once that is over, once we are back with a clear majority, I think people will begin their reinvestment."

Party aides said the All Saints County Primary School was a model of its kind. Mr Major saw children doing movement to music and modelling with Plasticine.

The prime minister then made a lightning stop at Nottingham's Djanogly College, the first of the country's 13 city technology colleges. Though the tour of the library, a language laboratory and the music room was brief, it served its purpose of underlining Tory commitment to choice and diversity in education.

Then it was time for the second of the "Meet John Major" sessions with an audience of hand-picked Nottingham Tories and some friends.

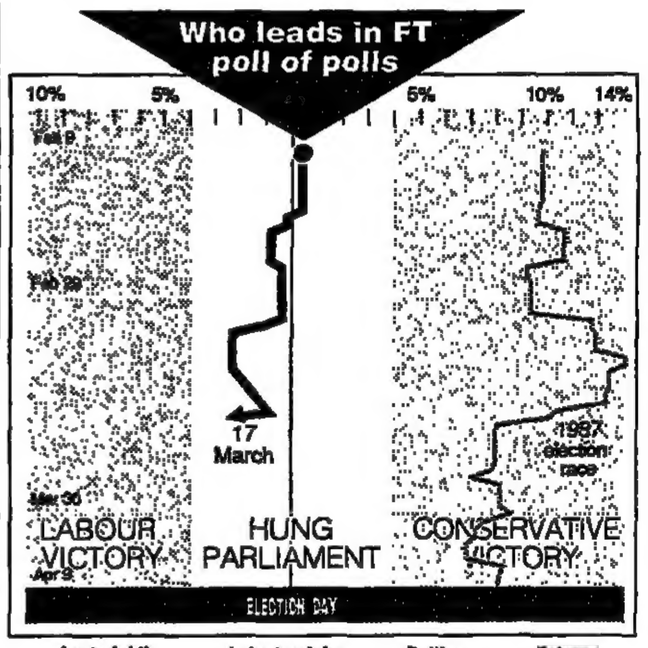
The city is made up for three constituencies – two marginal Tory and one marginal Labour – and though the audience was selected the mood was less relaxed than at the first of the series in Huntingdon on Sunday.

There was still applause for traditional Tory themes, particularly for Mr Major's suggestion that there was a need to be more severe in the condemnation of petty crime – but four of the 12 questions were about the economy.

Though most were phrased loyally, they still dealt with difficult themes, including the decline of manufacturing industry, the high level of value added tax, and the mistakes of the 1980s which had led to the spiral in house prices.

Mr Major dealt with the questions competently, and received routine standing ovations at the begining and the end. This time, in contrast to Huntingdon, his jacket stayed on.

Who leads in FT poll of polls



	Last night's FT forecast	Latest opinion poll	Betting odds	Futures trading
Conservative	296 seats	38%	1/2	302
Labour	310 seats	43%	6/4	306
Lib Dem	19 seats	16%	300/1	25
		(ICM / Guardian) Field dates: 15,17 March	Ladbrokes (for overall majority)	Dealing on the number of seats (IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last two campaigns. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

Kinnock steps up economic attack

By Michael Cassell

LABOUR yesterday stepped up its attack on the government's handling of the economy and claimed that its own Budget measures would lead to falling unemployment in 1993.

On the eve of the publication of his party's manifesto, Mr Neil Kinnock, the Labour leader, criticised Mr John Major for doing nothing to end the recession and for accepting that unemployment would continue to rise for the rest of this year.

Speaking at a press conference in London, Mr Kinnock said ministers had no positive plans to pull Britain out of recession. "In the face of a collapse in investment, skills shortages, rising unemployment, record business failures and rock-bottom confidence, they do nothing. They have not a single useful initiative to offer."

At the same press conference Mr Gordon Brown, the shadow trade and industry secretary, said a further 500,000 jobs were at risk during the remainder of this year if present policies continued. He also released figures showing that business failures early this year were running at a rate 25 per cent higher than in the last two months of last year.

Mr Kinnock said his party's Budget would prove far more effective in helping bring the recession to an end. He said Labour's proposals were more "responsibly reflationary" than those of the government. Although the Budget was fiscally neutral, the party's decision to increase incomes for people earning up to £21,000 a year, at the expense of top earners, would raise personal spending on necessities rather than more expensive goods.

As a result, the party's economic strategy was less prone to being undermined by significant increases in imports. Labour's "job rich" Budget would therefore be more likely to create more jobs in Britain.

Mr Kinnock said Labour would not mislead the nation into believing that "a switch could be thrown" to move the economy from recession to immediate recovery.

But he and Mr John Smith, the shadow chancellor, said that Labour's proposals would begin to take effect as soon as they were implemented.

Mr Smith said that his measures would see the rise in unemployment start to slow down late this year, with the number of jobless falling in 1993.

Tories go slow in Scotland

For a party which many say is on the verge of extinction, the Scottish Conservatives appear remarkably relaxed. Since the election was called, Labour has had Neil Kinnock in Edinburgh at its annual Scottish conference, the SNP has launched its campaign with a cheery press conference and the Liberals have presented a Scottish version of their manifesto.

The Tories, meanwhile, have held one rather limp press conference (and that, apparently, at the urging of the broadcasters anxious to balance Kinnock). Ian Lang, the Scottish secretary, has released two statements by fax, one on Tory plans to ban the carrying of knives, and the other on expanding foreign language teaching in schools. The party is even launching its manifesto in Scotland a day later than in England, with the idea of getting two bites of the cherry.

Still, there was a sign of life yesterday: Lord Sanderson, party chairman, made a foray into Fife, and Lang challenged Donald Dewar, his Labour opposite number, on taxation – by issuing a fax, of course.

"We're starting slowly and building up gradually," says party headquarters.

Rest in peace

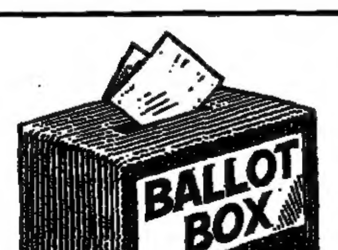
Transcendental meditation will not be compulsory should Britain's newest political grouping, the Natural Law party, secure election. Training, however, will be available to all seeking to unleash their true potential.

The party, launched on Saturday, supports the Transcendental Meditation movement, founded by Maharishi Mahesh Yogi, erstwhile adviser to the Beatles.

All members are planning to register as candidates in the election, and the party hopes to field a total of 651 covering every constituency. So far the party has spent £500,000 on press advertising. The manifesto is due to appear in newspapers on Friday.

Stretching it

Few political parties are daft enough to use fabricated statistics, but they can massage the truth, as yesterday's Tory education document shows.



"We are making a great deal of progress," the policy document claims. "In 1979 only 46 per cent of 16-year-olds stayed on in full-time education. The figure is now 75 per cent and rising."

A recent government publication, Education Statistics 1991, puts the total at just 50 per cent, but that statistic applied to 1989. In 1988 only a little over 30 per cent of 18-year-olds in England and Wales were still in full-time education – less than half the level in Japan, France and Germany.

So why should there have been such a boom since? The reason is the recession. The unemployment rate for men aged between 18 and 19 rose from 13.8 per cent in October 1988 to 18.3 per cent last October. For those aged 16 to 17, who can no longer register as unemployed and claim benefit, the current lack of jobs makes staying on at school an obvious alternative.

Even so, many will leave higher education with no qualifications. Only two thirds of 17-year-olds and 50 per cent of 18-year-olds who stay on are studying for courses leading to qualifications. Similarly, only 40 per cent of Youth Trainees gain any qualifications at all.

Militant view

Terry Fields, who was expelled from the Labour party for his links with Militant Tendency but is defending Liverpool Broadgreen as an independent, has found a new way of achieving publicity.

Fields has diverted the permissible costs of producing election leaflets into making a video, which will be premiered tomorrow evening. He has had 500 copies made – 100 for each of Broadgreen's municipal wards. Supporters will lend copies overnight, but most will be seen through special showings in people's homes, local pubs or shops.

His headquarters yesterday were crammed with full-time workers. "They were all made redundant by the city council last year, so they've got plenty of time to help," he explained.

Missing link

The inhabitants of Worcester Park have good reason to feel miffed at tonight's Conservative party political broadcast. "John Major. The Journey," concentrates on the prime minister's path from obscurity to 10 Downing Street.

Though it lingers at length on the prime minister's Brixton boyhood, there is no mention of leafy and well-heeled Worcester Park where young John also spent many a formative year. Could it be that that cosy interlude just failed to square with the story-line?

Smart money

Highly paid City dealers are protecting themselves against a Labour victory. Many have piled in to place straight bets on Labour. City bookmaker IG Index said that yesterday was its busiest day yet, with 70 per cent of bets coming from City institutions. The weight of money is for a hung parliament with Labour the biggest party. But some City brains are more sophisticated. "Bet on the Tories to win and buy puts on the Footsie index and sterling," is the smart approach.

UK NEWS

Single watchdog urged for private investors

By Richard Waters

A SINGLE watchdog should be set up in the UK to regulate investments offered to private individuals, according to a report published yesterday.

The report, backed by the Securities and Investments Board (SIB), the City's chief investment watchdog, could herald rationalisation of the system of investment regulation introduced after the 1986 Financial Services Act.

The creation of a single, super-regulator for private investors has recently been put on the political agenda by the opposition Labour party. It has also received wide support in the City.

The recommendation was made yesterday in a report by Sir Kenneth Clucas, who was asked by the SIB last October to examine the viability of a single self-regulating organisation (SRO) for retail investment.

At present, retail investment is regulated in the UK by four different SROs, the SIB itself, and a number of professional bodies. Under Sir Kenneth's proposals, a new super-regulator would be created to take over the bulk of the job.

The Clucas review was prompted by gathering problems at Fimbra, one of the SROs, which is responsible for regulating independent financial advisers, managers and brokers.

The new investment watchdog would combine the activities of Fimbra and Lautro, which regulates the selling of life assurance and unit trust investment products. This would bring life assurance companies into the organisation, providing it with stronger financial backing than enjoyed by Fimbra.

In addition, the new watchdog would take private client fund management from Imro, the SRO responsible for investment management. However, Sir Kenneth stoped short of suggesting a merger of Imro and the Securities and Futures Authority, the remaining SRO, to leave just two investment watchdogs.

In addition, Sir Kenneth said regulation undertaken directly by the SIB and the Insurance Brokers Registration Council should pass to the new body, although legislation would be needed before such a change could be made.

The SIB said it welcomed the recommendations and would set up a working party in the coming days to propose a structure and constitution for the new body, which could come into existence by April 1993.

Fall in output raises fears over recession

By Peter Marsh, Economics Staff

BRITISH manufacturing output is continuing to fall, according to official statistics released yesterday which indicate that the country's recession may be deepening.

The Central Statistical Office (CSO) said seasonally adjusted factory output dropped 0.7 per cent in January compared with the previous month, after a 0.4 per cent fall in December.

More bad news for the government came with the separate announcement of a public sector borrowing requirement (PSBR) last month of £1bn, indicating that public finances are continuing to deteriorate due partly to the recession.

But the data had little effect on the London stock market. The FT-SE 100 index of leading shares closed last night at 2,491.2, up 20.5, ending the run of four consecutive days in which the index had fallen as a result of pre-election jitters.

On currency markets, sterling firmed, closing in London up a quarter of a pfennig against the D-Mark at DM2.86, while against the dollar it gained more than 1¼ cents to close at $1.7315.

In the three months to January, factory production was down 0.9 per cent compared with the previous three months. The CSO data indicates that manufacturing output has dropped by about 2 per cent since mid-1991, when it appeared the decline might have stopped.

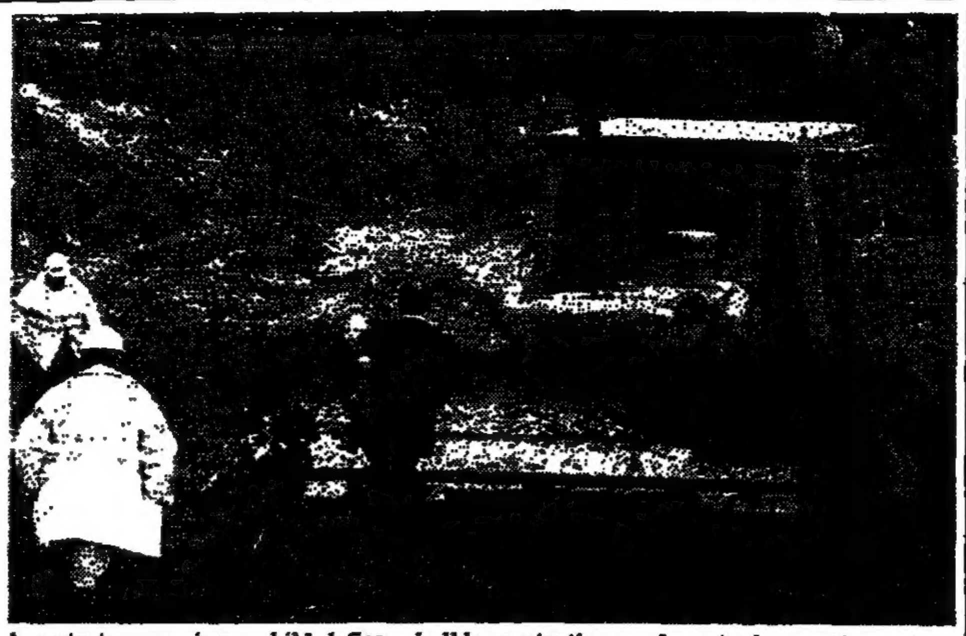
On the basis of yesterday's figures, factory output is falling at an underlying annual rate of about 3.5 per cent. The CSO's data for the two previous months in each case indicated that the annual decline was about 3 per cent.

According to the CSO, factory output has fallen by a total of 8 per cent from a peak in the second quarter of 1990, at around the start of the recession. Manufacturing accounts for just over a fifth of the economy, and influences activity in other sectors such as services.

The CSO also said that the output of the energy and water industries fell 2.8 per cent in January compared with December, mainly because demand for heating was lowered by warm weather.

Output from all production industries – manufacturing, energy and water – was down 1.3 per cent in January compared with December. In the three months to January, the figure fell 0.7 per cent compared with the period between August and October last year.

Mr Norman Lamont, the chancellor of the exchequer, said in his Budget statement last week that the economy as a whole would grow by 1 per cent this year, after a 2.5 per cent drop last year.



A protester carrying a child defies a bulldozer starting work yesterday on the controversial extension to the M3 at Twyford Down, in western England near Winchester. Conservationists claim that the road will destroy a site of special scientific interest.

ICI releases emission figures

By Paul Abrahams

ICI, Britain's largest chemical company, published its worldwide emission figures for the first time yesterday, as part of moves to make its environmental performance more open.

Emissions to land, air and water fell 3.7 per cent from 8.6m tonnes in 1990 to 8.3m in 1991. Sir Denys Henderson, ICI chairman, said that although there were some problems which would not be speedily resolved, the group had made a good start towards its environmental goals. These include reducing emissions by 50 per cent between 1990 and 1995.

Sir Denys said he very much regretted that the group had been prosecuted 26 times last year for environmental offences compared with 36 occasions in 1990. The number of prosecutions decreased in every country outside Britain.

Production of hazardous waste, which ICI has targetted for particular attention, fell 30 per cent from 677.9 tonnes in 1990 to 475.9 tonnes last year. The group said it aimed to eliminate all off-site disposal of environmentally harmful wastes.

Non-hazardous waste production fell 1.5 per cent from 7,949m tonnes in 1990 to 7,834m tonnes last year. However, the amount of non-hazardous waste disposed through landfill increased from 3,509 tonnes in 1990 to 3,565. ICI also increased the amount of waste dumped in the North Sea from 150 tonnes to 170 tonnes.

The company said it was committed to reducing its energy consumption. Energy consumption and carbon dioxide emissions had fallen by 15 per cent while total group manufacturing output had doubled over the same period. Between 1990 and 1991, group energy consumption fell by 6 per cent.

BRITAIN IN BRIEF

Green audits planned by BA and Norsk

British Airways and Norsk Hydro, the Norwegian manufacturing group, are to conduct annual environmental audits to assess the ecological impact of their business activities.

Norsk Hydro's plans, among the first announced in the UK, involve adding an environmental statement to the annual accounts of its UK subsidiary starting from the current financial year. The energy, metals and chemicals group is also considering repeating an environmental assessment of its UK activities which it produced in October 1990.

British Airways is also drafting the first of what it hopes will become an annual environmental report to accompany the annual report.

Car advertising criticised

Some of Britain's largest motor suppliers use possibly misleading safety claims in advertising, according to Advertising Standards Authority (ASA).

In its monthly report, the ASA says it upheld complaints over an advertisement by VAG UK, the Volkswagen-Audi dealers, which claimed that "the Audi 100 is the safest luxury car ever tested"; the vehicle in question had been tested only for frontal collisions.

The ASA upheld complaints against Renault UK for focusing on the alleged rapid acceleration and top speed of the Clio model.

Nissan Europe is criticised for advertising the Nissan 300 ZX model in a manner which "was capable of encouraging drivers to attempt overtaking manoeuvres in tight situations."

Row breaks out at Lloyd's

A row has broken out at the Lloyd's of London insurance market over the refusal of many leading underwriters to back schemes providing stop loss insurance – or personal reinsurance policies – for Names, the individuals whose assets provide the insurance market's capital.

Brokers claim the lack of realistically priced stop loss insurance – personal reinsurance for the individuals whose assets back underwriting at Lloyd's – could lead many Names to leave and undermine the market's capital base. Last year 12,500 Names bought stop loss insurance – which covers all losses in excess of an amount usually equivalent to between 10 and 20 per cent of the amount of premiums underwritten by a Name.

Power prices 'still too high'

Attempts by Mr John Wakeham, the energy secretary, to curb increases in electricity bills for industrial users have been "an abject failure," according to large power consumers including Rank Hovis McDougall, GKN, and Blue Circle. The companies, which belong to the Major Energy User's Council (MEUC), a lobbying group, have written to the energy secretary saying his efforts to prevent increases of 15 per cent or more in April electricity bills had not helped.

Earlier this month Mr Wakeham asked Nuclear Electric, the state-owned company which operates the nuclear stations of England and Wales, to sell cheaper power to industry. But although Nuclear Electric dropped its price last week, the MEUC said it was still far too high.

Engineering orders fall

More than a third of engineering companies in the West Midlands experienced a drop in order between November 1991 and February 1992, according to the latest business survey of the Engineering Employers Federation in the West Midlands.

The results of the EEF survey, which covered the fortunes of 455 companies in the British region most heavily dependent on manufacturing, provide the underpinning for the national statistics which showed a 0.7 per cent fall in manufacturing output between December 1991 and January 1992.

Law graduates deterred by fees

Nearly 50 per cent of law graduates who failed to take up their places on this year's solicitors' finals course dropped out because they could not afford a career in the law, according to the UK College of Law.

An inquiry by the college, the largest training organisation for solicitors in Europe, found that of the 508 students who cancelled places or failed to register at the beginning of the 1991/92 academic year, 244 (48 per cent) had financial reasons for withdrawing.

Single union deals 'cost less'

Employers which bargain with several unions separately are likely to pay higher wages and perform less well financially than companies which deal with just one union or employee negotiating organisation, according to a new study by leading UK economists.

The report, by three economists from University College London and Warwick University, also found that bargaining separately with several unions makes companies more prone to strikes of at least one day's duration.

Water shortage hits south east

Three Valleys Water, which serves 2.3m people to the north and east of London, has applied for a government drought order to combat the growing risk of severe water shortage in parts of south-east England.

Water industry experts predict that unless there is heavy and sustained rainfall throughout the south and south-eastern parts of Britain in the next few weeks, many more areas will be affected by restrictions. Supplies within the Three Valleys area, which covers parts of Hertfordshire, Bedfordshire, Buckinghamshire and Essex, are at their lowest since 1903.

FT LAW REPORTS

Operable letter of credit completes North Sea oil rig transfer

DAVY OFFSHORE LTD v EMERALD FIELD CONTRACTING LTD
Court of Appeal (Lord Justice Fox, Lord Justice Staughton and Lord Justice Beldam): March 6 1992

TITLE TO North Sea oil equipment under a supply contract which provides for completion on payment by letter of credit presented with proper documents by the supplier to the bank, passes when the buyer provides the supplier with the documents required to operate the letter of credit.

The Court of Appeal so held when dismissing an appeal by the defendant, Emerald Field Contracting Ltd, from Mr Justice Hobhouse's decision (*FT, January 28 1992*) giving judgment for the plaintiff supplier, Davy Offshore Ltd, on a claim under a sub-contract for the supply of oil field equipment.

LORD JUSTICE STAUGHTON said that by a contract dated November 30 1992 between Emerald and Davy, Davy was to supply a platform called a floating production facility (FPF) and other works.

All items were to be installed and commissioned by Davy. The price was to be £127.8m.

Davy was concerned that title to the goods and works might pass to Emerald before it had been paid the greater part of the contract price, and without its receiving some of the documents necessary to operate a letter of credit opened in its favour.

It asked the court to determine when and in what circumstances title would pass.

The bank was obliged to pay within five business days of presentation of proper documents.

Mr Justice Hobhouse concluded that the property was to pass upon acceptance by the bank of the documents. He did not mean on receipt of the documents, but rather at the time when the bank decided that they complied with the requirements of the credit.

By clause 18.1(a) of the contract, title to the work and facilities were to be transferred to Emerald "immediately upon completion and payment of the amount due from [Emerald] at completion as referred to in clause 17.2".

Clause 17.2 provided that on completion Emerald should pay Davy 95 per cent of the contract price. The 5 per cent balance was to be paid three months and five banking days after completion.

Clause 17.5 provided that Emerald's obligation to pay under clause 17.2 was to be satisfied by Davy drawing under a letter of credit.

By clause 18.1(b) Davy warranted that at time of transfer and vesting of title, the work and facilities would be free of all mortgages, liens or other encumbrances. By clause 18.1(c) it agreed that at time of transfer it would deliver to Emerald a duly executed bill of sale in British form in respect of the FPF, reflecting the warranty.

Clause 36.3.1 provided that, subject to satisfactory completion of work and receipt of specified documents including the bill of sale, "completion shall occur", and Emerald would issue a completion certificate and procure the provision of a certificate from the secretary of state for trade and industry confirming that conditions under section 10 of the Industry Act 1972 had been satisfied. Emerald was then to return all the documents to Davy, which would then present them to the bank under the terms of the letter of credit.

Emerald's principal argument was that the first instalment payable by the bank under the letter of credit, was not due from Emerald at completion under clause 18.1(a). It was due from the bank, and it was due after completion.

Clause 18.1(a) provided for payment of the amount due from Emerald at completion "as referred to in clause 17.2".

Clause 17.2 expressly required Emerald to pay 95 per cent of the contract price on completion. Emerald's obligation to pay Davy on completion "pursuant to clause 17.2" was repeated in clause 17.3. Clause 17.5 provided that that obligation should be satisfied by Davy's drawing under all letters of credit.

Those provisions made it clear that "payment of the amount due" from Emerald in clause 18.1(a) did include Davy's drawing under the letter of credit, or at least being placed by Emerald in a position to do so.

Business sense supported that construction. One would not expect the parties to provide that passing of title should be deferred until trivial amounts were paid, but not until Davy was in a position to draw the largest proportion under a letter of credit.

There were other arguments. First, Emerald said the contract required Davy to hand over a duly executed bill of sale when work was complete, and since a bill of sale was an instrument which transferred property in a ship, title must then pass.

The basic rule was that property passed under a contract when it was intended to pass (section 17(1), Sale of Goods Act 1979). Since the bill of sale was to be handed back by Emerald under 36.3.1, and Davy was to use it for presentation under the letter of credit, it could not have been intended that property should pass when it was first handed to Emerald so as to override 18.1(a).

There was a second argument on clause 18.1(c) which provided that "at the time of transfer to and vesting of title pursuant to sub-clause (a) above" Davy should deliver to Emerald a duly executed legal bill of sale. That suggested that when the bill of sale was delivered to Emerald, title did pass.

The provision made no sense in the light of the other terms of the contract.

Provisions of a contract might be rejected if they could not be reconciled with the remainder (*Glyn v Margetson & Co [1893] AC 351,357*). An alternative solution, which was very plausible, was that the parties contemplated terms as to payment, delivery of documents and completion, operating at the same or substantially the same time.

A third argument was based on a "first qualifying certificate" required to be presented by Davy to the bank, stating that it waived all possessory liens in respect of the work and the facilities. How, it was asked, could Davy have any liens to waive if title did not pass until the bank had examined the documents?

The first answer was that title passed either when Davy was equipped to operate the letter of credit, or when it presented the documents to the bank. But if that was wrong, there was no reason why a property-owner should not waive possessory liens for the future, against the time when he ceased to be owner.

The property did not pass until Davy was provided by Emerald with the documents required to operate the letter of credit. The appeal would therefore be dismissed on that issue.

By a settlement agreement, dated June 27 1991 between Emerald and Davy, clause 17(a) provided that "subject to the provisions of sub-clause (b) hereof" Davy agreed that payment of outstanding sums under the prime contract should be deferred. Clause 17(b) provided that "the provisions of sub-clause (a) above shall not apply to any letter of credit" issued to Davy in relation to the prime contract.

By clause 19(a) Davy and Emerald confirmed that, save as agreed in the settlement agreement, "the prime contract shall continue in full force and effect".

It was argued for Emerald that clause 17(a) provided for "any sum outstanding at completion" to be deferred. Therefore, it was said, clause 18.1(a) of the prime contract, where it referred to "payment of the amount due from [Emerald]at completion" no longer had any content – no sum was due from Emerald at completion.

That argument was defeated by clause 17(b) of the settlement agreement, to which clause 17(a) was expressly made subject. Clause 17(a) was not to apply to any letter of credit.

The originating summons asked the court to declare, among other things, that (c) the obligation under clause 36.3.1 to provide a section 10 certificate was a condition of the prime contract and arose at completion.

The judge made a declaration that the obligation to provide a section 10 certificate arose at completion, and was a condition of Davy's obligation to pass title. He did not decide it was a condition breach of which would amount to a repudiation. He merely held that title did not pass until the certificate was delivered. That conclusion was correct.

The appeal was dismissed. Their Lordships agreed

For Davy: Lord Irvine QC, Edwin Glasgow QC, Richard Wilmot-Smith, and Stuart Catchpole (Ashurst Morris Crisp).

For Emerald: John Dyson QC and Mark Templeman (Watson, Farley & Williams).

Rachel Davies
Barrister

BUSINESS AND THE ENVIRONMENT

Western investors moving to eastern Europe may face environmental liability, writes **Judy Dempsey**

Inheriting the earth

As Soviet troops pulled out of Europe, damage from 45 years of industrialisation was left behind

Three years ago eastern Europe was a convenient dumping ground for western Europe's toxic waste. That was partly because the Commonwealth of Independent States (CIS), or former Soviet Union, had few qualms in accepting nuclear waste from eastern Europe.

Today a consortium of western companies bidding to expand nuclear power at Paks, in south-west Hungary, has admitted that it needs a new solution to the waste problem since the CIS has rejected its role as a dumping ground.

The disintegration of the Soviet Union, the assertion of the rights of the new independent republics and the political sovereignty of the countries of eastern Europe are just some of the reasons why western companies' nuclear, chemical, or industrial waste is no longer welcome.

Another reason is that the debate about the environment in eastern Europe is changing. On the one hand, it continues to focus on trying to clean up the *damage caused by 45 years* of communist-style industrialisation. On the other, it is beginning to concentrate on four issues which are likely to influence the region's future environmental standards. These include:

- Liability incurred by western companies investing in eastern Europe.
- The role played by international financial institutions, particularly the London-based European Bank for Reconstruction and Development (EBRD), in shaping a development policy for the region's infrastructure which will be compatible with the environment.
- How European Community environment legislation will influence corresponding legislation in eastern Europe, as well as influencing environmental standards by western companies investing, or trading, in the region.
- What effect market reforms will have on the environment in eastern Europe.

Environmental issues first gained prominence in eastern Europe in the early 1980s when Charter 77, the Czechoslovak human rights movement, environmental groups in Poland, Ecoglasnost in Bulgaria and Duna Kör in Hungary started to flex their muscles against the communist regimes.

But since the collapse of the communist systems throughout Europe, much of the energy and idealism of the *environmental groups* have been sucked into the political system. "As to the environment, one has to understand that its development is connected to the economic situation. *Results can* be achieved which are based only on a successful economy," said Sandor Kereszies, Hungary's environment minister.

In practice, however, the environment is beginning to play a greater role among western companies thinking about investing in the region. This is because advantages of cheap labour and a skilled workforce in the region have to be offset by the disadvantages of possible liability costs.

"Western companies wishing to invest in eastern Europe must be aware that they could be *saddled with the cost of* cleaning up the waste accumulated over many years," said Tassilo Metternich, a consultant at Environmental Resources Limited.

ERL specialises in carrying out a wide range of activities, from individual site audits to *company-wide communications* and training programmes related to the environment. Its primary role is to identify what environmental problems a western investor will inherit, *and what liability that company* will incur.

"It is not an easy thing to do. Some western companies would naturally resent the fact that they have to pay for the damage caused by the previous owners – who were communist," said Metternich.

"It *is also very messy* because we are working to laws that do not exist in these countries. Moreover, companies wishing to invest in eastern Europe are sometimes treated on a case-by-case basis. So you are not always sure where you stand with the law. *We tell our clients the pros and* cons about the sites they have chosen as a greenfield, or what problems they inherit in a plant into which they are buying," he added.

Metternich says he is not sure if liability acts as a deterrent to attracting foreign *investment into eastern* Europe. "Maybe, if it was said that there would be no liability, more *foreign* investors would go into eastern Europe. It is hard to say. The legisla*tion is in flux," he added.*

John Mitchell, head of the east European division at ICI, one of the world's largest chemical firms, is sanguine about the question of liability.

"We are more interested in obtaining licences than in acquiring sites at the moment *in eastern Europe," explained* Mitchell. ICI, which is expanding into the region and which had sales worth $36m in Hungary last year, appears to be motivated by one philosophy.

"When we obtain licences in eastern Europe, or anywhere else, we make sure that that *company conforms to the high*est standards in quality with regard to the product, the environment and service to the consumer," he explained. "Through training schemes, our partners in eastern Europe know what to expect from standards in warehousing and *distribution."*

Martin Houldin, an environmental expert at management consultants KPMG in London, says EC legislation on the environment means that western firms investing in eastern Europe will automatically have to meet EC standards.

"Even *if legislation on* the environment is absent in eastern Europe, those governments which wish to apply for full membership to the EC will in any case improve their standards over time," he explained.

The need to improve standards partly explains why UK companies such as ICI and Johnson Matthey are involved in training programmes and are working more closely with *environmental groups in the* UK and eastern Europe.

Duncan Fisher is director of the East-West Environment Programme. Organised under the umbrella of the London-based Ecological Studies Institute, the forum brings together companies, banks, non-govern*mental organisations and gov*ernments all involved in central and eastern Europe.

The forum has three aims:

- To help members pursue activities and investment benefiting the environment in eastern Europe.
- To provide members with a forum in which to exchange ideas and information.
- To offer members a framework for developing and implementing projects which promote growth while protecting the environment in eastern Europe.

Fisher and Gordon Hughes, from London's Centre for Economic Research Policy, believe one aspect of the environmental problem is coming to an end. "Liberalisation of prices means that enterprises and the consumer will use less energy," said Fisher.

"The huge, mass emissions which we saw in eastern Europe over the past four decades will be phased out as industry is modernised. Those kinds of environmental problems will *diminish*," he argued. But other problems will persist and new ones will emerge.

Like the EBRD, Fisher is also aware that the economic reforms will bring new problems for the environment. "Household waste will consist of more plastic packaging. The *expanding tourist industry* will also create more pressure on the environment. Closure of environmentally-damaging, and obsolete enterprises could meet resistance as the recession deepens," explained Fisher. "Addressing these problems will not be easy. But they cannot be ignored as eastern Europe attempts to integrate its economy with the west."

URBAN AIR POLLUTION

Down and out, but still on the freeway

Louise Kehoe takes a drive to Los Angeles

WELCOME to "Smog City", the place with the dirtiest air and more cars per capita than any other city in the US. The yellowish grime that hangs over California's largest metropolis for much of the year is grim testimony to the fact that even the strictest air-quality regulations cannot resolve the conflict between nature and the car.

To be without a car in Los Angeles is to be down and out. Even public housing "projects" *for the poor have car parks.* While cycling and walking may be popular forms of exercise, they are no way to get around this sprawling asphalt jungle, where a 100-mile commute to work is nothing out of the ordinary.

Smog is the price that Los Angelenos pay for their automobile-centred lifestyle. Climate and geography combine to exacerbate the problem. For about 10 months of the year Los Angeles enjoys balmy sunshine. The city's urban sprawl is centred in a natural basin that prevents its atmospheric effluent from dissipating.

Los Angeles may have the most severe air-pollution in the US, but nowhere else has the problem been *attacked more vigorously. South* Coast Air Quality Management District (SCAQMD) regulators, with responsibility for Los Angeles and neighbouring Orange and Riverside counties, have set the pace by *instituting stringent* controls over atmospheric emissions by industry and individual residents.

Controls that are only beginning to take effect in many parts of the US and elsewhere have long been standard in California. Catalytic converters, which reduce car exhaust emissions have been mandatory in the state for almost 20 years. In one of its most unpopular moves, the SCAQMD last year banned the use of lighter fluid in garden barbecues.

There are signs that the assault is beginning to pay off. According to state statistics, Los Angeles had less low-level ozone pollution in 1991 than at any time since measuring began 16 years ago. Analysis of last year's smog season shows that the Southern California basin had a record low 129 days in which lung-damaging ozone exceeded the federal standard of 0.12 parts per million.

Maintaining the trend towards cleaner air will, however, require increasingly drastic and expensive compromises. But weaning Califor*nians from the private sanctum of* their automobiles may be impossible. According to a recent study conducted by the California Institute of Energy Efficiencies, most drivers would prefer to switch to alternative-fueled cars rather than use car pools or mass transit.

Los Angeles air-quality regulators have launched an ambitious goal to replace approximately 17 per cent of conventional petrol-burning cars in the region, or more than 1m automobiles, with electric vehicles by the year 2010.

The city has also embarked upon plans to build what could become one of the most extensive light rail, mass transit systems in the US.

While the pattern of pollution, with smog hanging over freeway corridors, makes it all *too obvious to Californians that the automobile* is the prime culprit, industry is also being required to clean up its act. After two years of studying the pros and cons, SCAQMD recently voted to move ahead on a revolutionary "smog exchange" plan that would replace current regulations on industrial air pollution with a trading market enabling companies to buy or sell the right to emit pollutants.

The SCAQMD believes that the market system will provide incentives to eliminate air pollution faster than its current regulatory system, while also saving industry hundreds of millions of dollars. Implementation of the sys*tem awaits final approval, but if the go-ahead is* given as expected later this month, trading by 2,000 industrial polluters could begin in 1994. These industrial facilities are said to be responsible for 85 per cent of the region's industrial hydrocarbon emissions.

Under the proposed system, each company would initially be issued a number of smog exchange shares, based on past emissions. A single share would be worth a pound of pollutant per month. Over the first 10 years, the "pollution" value of each share would decline, thus forcing a clean-up.

In exchange for their participation in the market, businesses would no longer be subject to air pollution rules that specify certain equipment or methods to reduce pollutants. Companies could meet their emissions targets in whatever way they chose. Those that found ways to reduce their emissions beyond the clean-up target could sell their credits to another business that was unable to meet its reduction target.

Los Angeles' efforts to overcome its severe smog problems, combined with the city's concentration of industrial and environmental interest groups, have made it a test-bed for environmental regulation with influence throughout the US and even further afield.

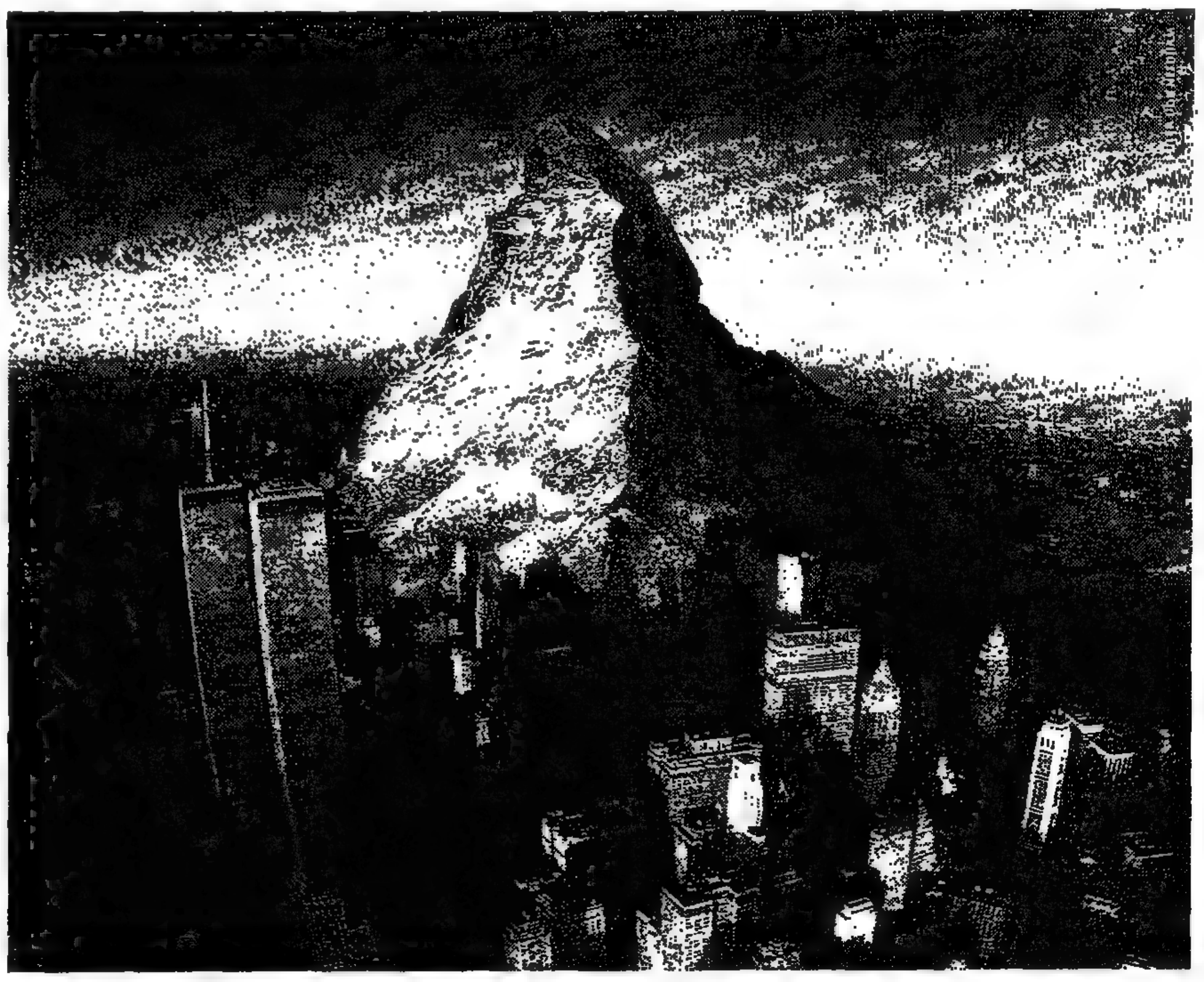
The series will conclude next week in Bangkok.

COMPANY NOTICES

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $75 MILLION GUARANTEED FLOATING RATE NOTES 1997 EXTENDIBLE AT THE HOLDERS OPTION TO 2000

The interest rate applicable to the above Notes in respect of the interest rate period commencing 18th March 1992 has been fixed at 4 5/16% per annum. The interest amounting to US $252.36 per US $10,000 principal amount and to US $2523.61 per US $100,000 principal amount of the Notes will be paid on 18th September 1992 against presentation of Coupon No. 4.

BANK LEUMI (UK) Plc
Principal Paying Agent
bank leumi בנק לאומי



COMPANY NOTICES

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 21st February, 1992 NOTICE is now given that the following distribution will become payable on or after 16th March, 1992 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION	2.00 CENTS
LESS 15% US WITHHOLDING TAX	0.3000 CENTS
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PERSONAL

LEGAL NOTICES

Notice of intended dividend
In the matter of
THE INSOLVENCY ACT 1986
and in the matter of
DAVIS INGREDIENTS (UK) LIMITED
- IN LIQUIDATION

NOTICE IS HEREBY GIVEN that it is my intention to declare a first dividend to creditors of the above-named company no later than 15 August 1992. Creditors who have not yet done so are required, on or before 15 April 1992, to send their proofs of debt to the undersigned N R B GODDEN of Cork Gully, Oriel House, 55 Sheep Street, Northampton, the liquidator of the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.
Date: 09 March 1992
N R B GODDEN, Joint Liquidator
NOTE: The dividend will be 100 pence in the pound.

Notice of appointment of Joint Administrative Receivers
GJS FABRICATIONS LIMITED
Registered number: 1023697. Nature of business: Architectural Metalworkers. Trade classification: 06. Date of appointment of joint administrative receivers, 11 March 1992. Name of person appointing the joint administrative receivers, Lloyds Bank PLC.
DAVID JOHN CORNEY and DAVID ROBERT WILTON, Joint Administrative Receivers, (Office holder nos 1859 and 5708). Cork Gully, 43, Temple Row, Birmingham B2 5JT

IN THE MATTER OF
THE INSOLVENCY ACT 1986
- and -
IN THE MATTER OF
TARTAN PETROLEUM LIMITED
(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 105 of The Insolvency Act 1986 that a GENERAL MEETING of the MEMBERS of the above-named Company will be held in the Offices of CORK GULLY, Chartered Accountants of Shelley House, 3 Noble Street, London EC2V 7DQ on 9 April 1992 at 11.00 a.m. to be followed at 11.15 a.m. by a GENERAL MEETING of the CREDITORS for the purpose of receiving an account of the Liquidators' acts and dealings and of the conduct of the Winding-Up during the preceding year.
DATED this 13th day of March 1992.
R W CORK and R VALENTINE
Joint Liquidators

HILLTEAM LIMITED
Formerly Colorama Properties Limited
NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at the offices of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ on 30 March 1992 at 2:30 pm for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at Shelley House, 3 Noble Street, London EC2V 7DQ between the hours of 10 am and 5 pm on 4 and 5 March 1992.
DATED 5th day of March 1992
By order of the Board.
Vinod Patel, Director.

Alarm bells ring for 999 calls

The public sector is becoming more competitive, say **David Owen and John Willman**

A revolution has been under way in British public services in the past 10 years. Managers are being forced to be ever more efficient and accountable and they are borrowing heavily from the ways of the private sector.

In some cases, the impetus is provided by privatisation. In others, managers are being Given greater responsibility for the services they deliver and are encouraged to adopt a more businesslike approach by carefully defined targets on financial performance and quality of service.

Government services, such as the payment of benefits, are now provided by executive agencies under contract to government departments.

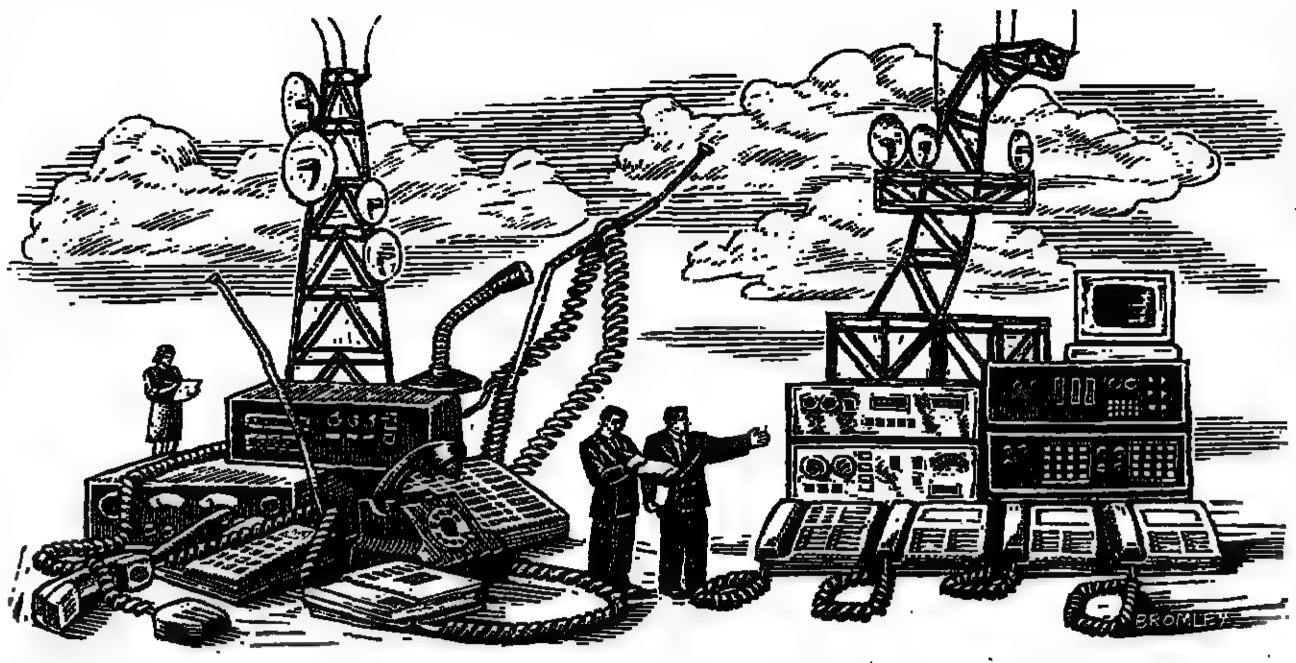
Even parts of the public services which cannot be privatised or hived off into separate organisations are expected to be more accountable for costs and service quality.

Within the Department of Trade and Industry, for example, managers are free to buy in support services, such as legal advice and personnel management.

In local government, in-house teams must bid for work such as refuse collection and property management against outside contractors.

This greater commercialisation requires new ways of working, especially if public service organisations are to compete in open markets:

- New accounting systems must be installed.
- Internal and external charging systems must be set up, often in fields where there is no comparable experience in the private sector.
- Valuations are required for stocks, estates, and overheads.
- Relationships with suppliers and customers – *often formerly part of the same administrative machine* – have to be converted into contracts.



All of this must be done at the same time as the normal work of the organisation.

This is not always easy as is shown by the experience of the former Directorate of Telecommunications (DTels), a section of the Home Office.

DTels, which was targeted for reform almost 10 years ago and is a candidate for privatisation, provides telecoms services for the police and fire brigades. Seen by most of its customers as fairly competent, *DTels was an accountant's nightmare.*

Management had no idea how much it cost to perform any task while contracts with individual customers did not exist. According to Nigel Finlayson, head of DTels, the directorate was dedicated to doing whatever was demanded of it "irrespective of what it was or what it cost".

Squadrons of financial advisers were called to prepare for a more competitive environment. An accounting system was introduced under the supervision of Touche Ross, which enabled management to allocate costs and hours worked to individual cost centres.

"When we started to write things down and record them in a sensible way, we discovered that we were our own biggest customer," Finlayson recalls. It was only when the accounting system was in place that management was able to attack such problems.

Real savings, however, needed wholesale structural reform – but the process of change was interrupted by a complex engineering project to redesign and replace every item of radio equipment used by the UK emergency services. Understandably this was accorded priority by successive home secretaries, but this shows how political priorities can override the drive for greater efficiency.

With that project nearly completed, DTels introduced direct charging for its installation and maintenance services in April 1989. Previously, the organisation had been financed centrally from a fund to which all police forces contributed according to size.

This inevitably led, to a degree, to the larger metropolitan forces subsidising the smaller ones. While the larger forces welcomed lower charges, the smaller ones were not impressed by higher bills – and with direct charging exposing DTels to competition from other suppliers, they found it easy to shop around.

Officials now believe that the changes should have been phased in over a longer period. For example, introducing direct charging before a management accounting system had been properly assimilated forced a bout of cost-cutting without sufficient information about where costs were falling.

"My mistake was to put in direct charging before we knew how competitive we were," says Gordon Wasserman, the Home Office civil servant responsible for DTels.

A comprehensive review of individual customer contracts and stocks of equipment was also launched in 1989. It is an indication of the chaotic state of the records that this took two and a half years to complete.

One unexpected consequence was that customers found they had been making annual payments on imaginary or unwanted equipment. For example, some discovered they had been paying for the maintenance of 25p ear-pieces.

The result was that DTels' turnover fell, together with staff numbers – down from 1,150 to 700, and further reductions are planned. Sites are being closed to cut overheads.

Local cost-cutting targets have been imposed with rigour. "Their incentive is continued employment," replies Wasserman when asked how area service managers have been motivated to meet these performance targets.

DTels' officials now claim to have an organisation capable of competing with the most efficient private-sector operators. Gerry Rodgers, a director of Serco, one of the group's main competitors, agrees that DTels has become more competitive in the last 12 months. The organisation no longer has to rely as much as it used to on its standing as the dominant force in the market, he says.

However, the body labours under some disadvantages. It is constrained by the civil service salary code which makes it impossible to pay more than the most perfunctory bonuses to its best employees.

For another, DTels can no longer act as a central procurement agency for the emergency services. This puts it at a disadvantage against competitors who can provide a one-stop service supplying equipment and information services.

Success – in the shape of making DTels fit for privatisation – is still not assured. Some 70 per cent of business with traditional customers has been retained in free competition, but the organisation is running a trading deficit of more than £4m a year.

Under a financial plan agreed with ministers, the organisation must almost halve its trading deficit to £2.2m by the year ended March 1994 or face possible closure. Despite all the changes which DTels has been through in the last 10 years, it is still too soon to say that it can hold its own in the open market.

Flying off at a tangent

Is Siemens going "transnational"? Germany's electronics and electrical engineering giant has created quite a stir among organisation experts by deciding to locate the headquarters of its air traffic management (ATM) business in Britain, instead of its home country.

On the face of it, the move might seem to place Siemens for the first time in the company of organisational pioneers such as ABB, IBM and Unilever. These have become transnationals (as distinct from mere multinationals) by transferring the base of at least one international product division away from their home base (or, in Unilever's case, its twin bases).

But how big a break from Siemens' past practice really is the ATM decision?

Unlike IBM, Siemens has not yet transferred the HQs of any of its global business groups outside its home base; it has 13 such entities, almost double IBM's number. What is less well-known is that at least six of the many business units beneath those groups in its structure have been dispersed abroad, mainly following acquisitions there.

So in one sense the ATM decision is merely the latest in a growing list: Siemens talks openly of its intention to shift units' HQs to wherever the market or technology is most advanced (or demanding), and to the company's most obvious centre of competence.

This was clearly the case for Siemens with ATM. The "new" HQ location, Chessington in Surrey, was the existing home of Plessey Radar. Siemens bought it as part of its 1989 carve-up of Plessey with GEC, and it accounts for about 80 per cent of the ATM unit's revenues of about £100m. But in several senses the move is an important one. Siemens' ATM is the fastest growing unit within the group's defence electronics business group.

It also now includes German-based research, development and manufacturing operations which have been specially carved out of three other parts of Siemens.

Christopher Lorenz

How to make friends with Lady Luck

Jean-Louis Barsoux says chance plays only a small role on the road to success

When asked the secret of success in their companies, managers often say that luck is as important as anything.

It is not just an excuse offered by those passed by in the promotion stakes. Even those in executive suites often concede to having been in the right place at the right time.

The problem with the concept of luck as an explanation for success is that it is too vague to be of practical use. Luck becomes a catch-all for everything we do not understand about the managerial advancement process.

When pushed to explain how luck has impinged on their careers, successful executives point to two factors: recognising it and acting on it. Luck is seen as something that happens to all of us from time to time, but the people who move on are those who can spot the openings and exploit them.

This assumes that managers can only influence luck from the time it manifests itself. But can't you make preparations in advance to grasp it?

Whether consciously or not, successful managers have ways of thinking and behaving which leave them prone to the intervention of luck.

Managers can increase their exposure to luck in a variety of ways. In practical terms, they can establish networks which will help to keep them informed of career threats and opportunities; and by reading the trade press, and visiting customers and suppliers, they can keep abreast of what is going on in and around the industry.

Those who consistently seem to benefit from luck, are also able to "read the game". They can imagine how a change of circumstances might represent an opportunity. They are good at envisaging future scenarios and are alert to making the most out of a crisis.

They also combine directness with flexibility. They show a readiness to improvise, to cut their losses if necessary.

There is a random element in all human success. But many of the career breaks ascribed to luck are obliquely attributable to the efforts of the individual. The random shape and timing of the windfall need not mean that it was unplanned. One is reminded of Gary Player's golfing aphorism: "The more I practise the luckier I get".

The reason we fail to see this is that we do not take the trouble to retrace or reflect upon the circumstances which generated the piece of luck. It is a cliché that "you make your own luck", but what about engineering your own misfortune?

Luck goes unrecorded and undiagnosed, and we fail to learn from it or about it. Retrospective accounts of managerial success are presented as the culmination of a deliberate decision-making process. Certain events are cast in leading parts while the role of luck is edited out.

Yet an awareness of luck can inform managerial thinking. Luck represents a force in favour of alertness, imagination, opportunism and action – and these are as vital to the success of individual managers as they are to the success of their companies.

Unless we acknowledge the part played by luck, we will never understand it any better and we will have to continue to rely on our intuition and experience to predict when and where it may arise. Luck visits those who court it.

The author is a research associate at Templeton College, Oxford.

Young composers

BARBICAN HALL

The BBC's "Young Musician of the Year" competition has been running for a long time now, but this year Lloyds Bank has been inspired to extend its sponsorship to a "Young Composer Award" as well. Splendid idea; but not, this first time, ideally well handled by the BBC, for the three-and-a-half hours it took.

On Monday we heard pieces by the 12 composer-finalists, interspersed with mostly dim performances of irrelevant music by former Young Musicians of their Years, and with laborious relocations of music-stands and microphones, chummy commentary by a female *compère* and much intrusive noise from the BBC crew – rumbling mobile cameras, audible instructions from their earphones, bangs and crashes from the booths at the back of the stalls.

Much more serious, for a competition that wears a public face, was that we never knew when we were hearing the vital evidence. Each contestant among the original 69 (their ages ranged from 15 to 21, and all the finalists were male) had submitted a "portfolio" of four pieces, as varied as possible – with express encouragement to venture into popular territory, though nothing we heard suggested any such ambition. For performance in this concert, however, only works playable by the faithful Nash Ensemble or by soloists could be exhibited; and yet we were told repeatedly that the jury would take equal account of the unheard pieces too. Quite right: but where does that leave the live audience?

It was made clear that two or more of the composers had dressed up earlier "exercises" as small-ensemble pieces. Presumably they took bolder flights in their full-orchestra stuff, or perhaps in soloistic flights that would require rehearsal-time beyond the budget – but we were not to know that. The eventual joint winners were the 18-year-old James Webb, a Charterhouse chorister whose processional carol "Huic Magi" testified to a sensuous modern ear for twining chapel voices, and Philip Howard (15) with a slight but elegantly shaped flute-and-piano piece, and a colouristic, under-propelled study called *The Rains*.

We were not to know how much of Halli Cauthery's range was contained in his three icy, unappetising songs on homicidal Icelandic poems (delivered by Peter Hall with faultless commitment), nor whether Craig Grosvenor's coolly serial guitar-piece *Noir* or Elliott Tucker's bright but disjointed *Aladinsane* – title after David Bowie – represented their best work. Richard Whalley's *Phoenix*, striving innocently to match an empurpled D.H.Lawrence exhortation, might or might not have been his best effort.

At the very least, the candidates next time should be told firmly that a Nash-sized piece will have to be their public exhibit if they make the finals – with a bigger piece on tap for a later BBC concert, should they win. The Leeds piano competition is not a good comparison: there too the semi-finals (and more) are taken into account, but aficionados can *hear* them, whereas the essential workings of this "Young Composer" contest were reserved to the private ears and eyes of the jury. There must be better ways of arranging it.

David Murray

TELEVISION

Into a world of 'voter meters' and 'media monitoring'

Election overkill is enough to drive us all to satellite dishes, says ***Christopher Dunkley***

Predicting the outcome of the election campaign is a doddle:

1. Broadcasters will spend more money, time, resources, and manpower than on any previous election.

2. When Parliamentary candidates ask people on their doorsteps "Do you have any complaints?" the commonest response will be "Yes, too much election on television". (This is not a joke; ask people who do a lot of doorstepping and they will tell you.)

3. The outcome of the poll (no doubt there will be a post election survey this time as there was in 1987) will be that be tween 70 and 80 per cent of voters will say there has been far too much coverage.

4. Whatever politicians and broadcasters may claim, points 1, 2 and 3 will apply again at the next election.

It seems absurd that while everyone recognises that television nowadays delivers far too much on elections, nobody does a thing about it. However, the reasons are surely pretty clear. First, politicians and news journalists (actually news and current affairs journalists) have much in common: they are fascinated by politics, revel in the campaign, and love the sound of their own voices. The overkill is a sort of conspiracy between them and against the public.

Secondly, the campaign gives broadcasters a wonderful opportunity to test all their latest technology, from "bi-media work stations" (the BBC's new Westminster news room is fully "bi-media", meaning that each journalist can work for both television and radio) to mobile satellite links. The only other event which allows a test as wide and as rigorous is a proper shooting war, and those do not occur often enough.

Thirdly, once any major news event is under way, many broadcasters spend nine-tenths of their time thinking about the opposition and only one tenth thinking about the viewer. "Who's covering the breakfast conference for ITN?" and "How is the BBC organising its exit poll?" become far more important than "Won't Auntie Ethel already be bored to tears?" Moreover, so much attention is devoted to the pressing problems of the nearby trees – resisting pressure from the party machines, and ensuring fair representation of the parties – that the wood disappears from view. Speak to individual broadcasters and they will concede all this, yet, unsurprisingly, not one of them will go on to say "So I'm volunteering for my programme to stay out of the election scramble".

One other prediction is less of a certainty but should still be made: "media monitoring" (analysing the coverage rather than the politics) is already a major growth area. So much so that before long somebody will surely begin to do a regular survey of media monitoring, whereupon the wheels within the wheels will become so complicated that our heads will start to spin. Outside the walls of university sociology departments, media monitoring first began to appear in the late 1960s, used by journalists as a sort of defence mechanism against the image builders employed by political parties and leaders. The seminal work was Joe McGinniss's *The Selling Of The President* which, in 1969, described the way in which television was used to "sell" Richard Nixon to the Americans.

Today's political salesmen are called "spin doctors" and an increasing amount of air time is devoted to examining their efforts. Previously this was included in more laid-back series such as *Newsnight* and Channel 4's late lamented *After Dark*, but now we are beginning to get programmes which do nothing else. *The Vote Race* on BBC1 on Sunday nights for the next three weeks promises to investigate "the hidden strategies of the campaign managers". In this week's opening programme we saw a panel using "voter meters" to indicate, phrase by phrase, viewers' responses to a politician's speech.

You might have thought that, for the sake of the public, it would be better if the broadcasters told the parties and all their sorcerers that henceforth they would behave like independent journalists, serving the best interests of the public, choosing the news for themselves, not operating even vaguely hand-in-glove with the politicians to achieve stopwatch parity between the parties, and that any attempt at "spin" would be routinely revealed if it merited revelation, wherever it might be found.

That said, the most interesting item so far is a programme that did not appear: the edition of *Panorama* in which Peter Jay was due to consider the origins of the recession. Predictably enough, Samir Shah, head of current affairs at BBC television, was accused on *Biteback*, BBC1's inadequate monthly "feedback" programme, of running scared and surrendering to Government pressure. Yet those who have read the transcripts of the programme published in several of the Sunday papers (edited transcripts, and not identical, but several thousand words long, enough to convey a fair idea) may have reached other conclusions.

Of course a printed transcript is not the same as a television programme which would incorporate talking heads, graphics, and "wallpaper" scenery. But even allowing for that, this appeared to be a classic result of belief in the Birt-Jay thesis, an argument developed in the late 1970s by John Birt and Peter Jay when they worked on ITV's *Weekend World*. Broadly they said there was a bias against understanding in television journalism because news and current affairs programmes concentrated on the "what" at the expense of the "why". They wanted more analysis.

Today John Birt is the BBC's Director-General in waiting and Peter Jay is the corporation's Economics Editor, so it is hardly surprising to find the attitude of that thesis applied to *Panorama* when Jay is exploring the reasons for the recession: it is an archetypal Birt-Jay thesis subject. But if I were in charge of BBC current affairs and read that script prior to transmission I would be struck first by the seemingly historical nature of the piece, which was commissioned for the BBC's flagship current (not ancient) affairs programme; and then I would have a vivid vision of viewers in their hundreds of thousands zapping away to find something more congenial. Television should certainly do such analytical pieces, but *Panorama* may not be the best place for them.

There is one more prediction that seems a sure bet: one effect of the election overkill will be to increase even further the amount of time devoted to watching World Cup cricket on Sky Sports. Since most of this is transmitted in the early hours of the morning, the drill, assuming you have a video recorder, is to load a four-hour cassette on long-play and tape the entire match. Then, when the terrestrial broadcasters offer you politicians, politicians, politicians or politicians of an evening, you settle back to watch the cricket. Furthermore with this system you can zap out the pestiferous commercials which they insert at the end of virtually every over.

Aside from the cricket, there is still a vast amount of dross coming off the Astra satellite. Flicking through the channels on several evenings last week I came across long promotional sequences for anti-wrinkle cream and a sponge rubber painting system which I have seen so many times before that I can practically recite the lines with the presenters. There was speedway on ice and American all-in wrestling, too, and every night two entire channels are devoted exclusively to rock videos. But some viewers will regard that as a big attraction. It is precisely the fact that you can *always* watch the news, or sport, or rock videos whenever you want to that is the system's greatest advantage.

In a period when you are going to be able to watch politicians on all terrestrial channels at all times, whether or not you want to, a dish suddenly seems a far more attractive proposition.

Picasso et la Danse

OPERA DE PARIS GARNIER

In recent years the programme planning for the Paris Opera Ballet has been commendably imaginative. Themes have been explored in triple bills, which have ranged from American choreography or the traditional Lifar repertory to the aspirations of the new French dance and the prowess of the young generation in the troupe. These compilations have been illuminating, challenging, to dancers and public, and nowhere more so than in the latest evening: *Picasso et la Danse*.

Picasso's involvement with ballet began under Diaghilev, with the creation of *Parade* in 1917, and was confirmed by his marriage to the Ballet Russe dancer Olga Khoklova in 1918. For the next seven years he made varied collaborations with the dance, notably in the glorious *Tricorne* of 1919; two works, *Le Rendezvous* of 1945 and *Icare* in 1962, marked a late revival of interest. The new Garnier programme brings *Le Tricorne* into the repertory with the two ballets for which Picasso paintings provided a front-cloth: Roland Petit's *Le Rendezvous* and a re-creation of Nijinska's *Le Train bleu*, made for Diaghilev in 1924.

The reconstruction of *Le Train bleu* was undertaken by the choreographer's daughter, Irina Nijinska, and the American scholar Frank Ries. The current fashion for rescuing long-lost ballets from textual sources and dancers' memories is curious, commendable, but ever-open to question. Scrupulous though the research may be, the loss of a direct performance tradition means that what we see today as Nijinsky's *Sacre*, or Balanchine's *Le Cotillon* – or Nijinska's *Train bleu* – is more optimistic than actual, and the more ephemeral the piece, the more delicate its fabric, the more likely we are to see a ghost rather than any theatrical flesh. The recent restorations of two major Massine pieces – *Choreartium* and *Les Présages* – seem to me valid in that they are sprung from the direct performance experience of their producers (and members of their first casts have given the stagings their approval).

Le Train bleu was a Cocteau-inspired capriccio about the brightest of goings on in the hey-day of holidays at Deauville or Eden Roc. Diaghilev identified its lack of substance by calling it *une opérette dansée* when he presented it during the 1924/25 seasons, with the athletic, magnetically beautiful presence of Anton Dolin its justification as the darling of the plage, le Beau Gosse. Without Dolin's panache – he left Diaghilev in 1925 – the piece was dropped.

Cocteau had hoped that Nijinska could identify the hieratic force of sporting gesture through classic dance – there are evocations of Suzanne Lenglen and of Edward, Prince of Wales, dressed *pour le golf* in the characters – but in this staging the frivolity lacks any aesthetic or physical conviction. The fun has gone, and the Blue Train has not run for years. The Nijinska dances lack savour, and the Opera's gifted casts are at a loss.

The Milhaud score is delightful; Henri Laurens' architectural set is interesting, and the Chanel clothes are exact, while across the front-cloth Picasso's two Amazons (hugely magnified from the painting "La Course") energetically thunder. How revealing that *Les Biches*, which explored something of this same territory and predated *Le Train bleu* by only six months, should still convince utterly in the theatre. Nijinska's post-war revivals preserved both the life and the spirit of the choreography, and life and spirit are what is missing in *Le Train bleu*.

Le Train bleu typifies its age, and so does *Le Rendezvous*. Roland Petit made it for his Ballets des Champs Elysées in 1945. It breathes the existential bleakness of the war's end, with its Jacques Prévert scenario about a young man who thinks he has cheated Fate, until fate duly catches up with him in the guise of the Most Beautiful Girl in the World, who kills him. Prévert's cinema associates provided other elements – Brassai, the photographic blow-ups of Paris streets; Kosma, the score; Mayo, the costumes – and Petit responded with choreography in which realism and romanticism marvellously combined. *Le Rendezvous* was one of the key early works of the Champs Elysées seasons – and we have imperishable memories of Petit as the hero-victim and Jean Babilée as a hunchback who is chorus and companion.

But after 47 years could it still convince? This revival by Petit, on the hugeness of the Opera stage, was proof that it could. A superb cast – Kader Belarbi as the Young Man; Cyril Atanassoff as Fate; Marie-Claude Pietragalla as the Girl; Fabien Roques as the Hunchback – found exactly the intensity, the melancholy poetry, that is evoked by the nocturnal streets against which the tragedy plays itself out. The scene in which the haunted Belarbi is faced with the menacingly deliberate Atanassoff (a chilling figure) is superlative dance-theatre. The Picasso front-cloth – a candle, a mask – is oddly apt.

Le Tricorne must always ravish eye and ear, and the glowing accuracy of the Opera workshops' reconstruction of the designs, (though where is the Dandy's kite?), and the vibrant account of the score from the Spanish conductor Edmon Colomer, are grand achievements. The ensembles were lively, and were better at the second of the two performances I saw at the week's end, but the ultimate success of the piece depends on the playing of the Miller and his Wife. We were fortunate just after the war to see Leonid Massine in the part he created for himself as the Miller, alert, vital; and no less fortunate to see Violetta Elvin (in performance at Covent Garden) finding a ravishing sensuality and wit for his wife. On Friday night, Patrick Dupond and Monique Loudières went through various motions associated with these roles, and were inalienably themselves as *étoiles*.

Claude de Vulpian and Nicolas Le Riche in 'Le Train Bleu'

It was at the next day's matinee that *Le Tricorne* came fully alive. Jose Martinez is young, tall, with an elegant physique and bright technique (he was impressive in last season's evening for the Opera's Young Hopefuls). And he has Spanish blood. In an exceptional debut – which started rather coldly, but took fire with the Miller's Farucca solo – Martinez claimed the role. His feet and body seized on de Falla's (and Colomer's) rhythms, stamped them out crisp and bold. The outline of the dance was taut, ideal. Greater dramatic passion will come with experience, but not since Massine's performances have I seen a reading so acute in physical understanding, and so true to the music.

Martinez was most happily paired with Clotilde Vayer as the Miller's wife. The lovely curves of the dance as her body yields to it, the fluttering hands, and the character's flirtatiousness were all warmly, touchingly shown. *Le Tricorne* was once again a masterpiece in the theatre.

Clement Crisp

ENO gets the Coliseum

The English National Opera has acquired the freehold of its London home, the Coliseum, for £12.8m. The money comes mainly from the Government, £10.8m, with the remaining £2m supplied by the Foundation for Sport and the Arts.

For its part ENO will shortly launch a public appeal for around £17m to raise the capital to refurbish its property. The money will be spent on back stage and front of house improvements, and could involve a closure for up to a year.

All the parties were in a congratulatory mood yesterday. The Minister for the Arts, Tim Renton, was happy that his department had secured £10.8m from the reserves on the last day of Parliament; Peter Jonas, entering his last year as general director at the ENO, was pleased that a fast approaching crisis in the affairs of the Coliseum – the ENO's current lease expired in 1996 – was now permanently resolved; and the owners of the property, Stoll Moss, was satisfied with what it described as a "realistic" price.

The recession in the property market, and the fact that the Coliseum is a listed building, made the purchase price much lower than anticipated a few years ago. The ENO will use its immediate annual saving in rent of £350,000 – it acquires the building on March 31 – to pay the legal fees of all involved.

The co-operation of the Foundation for Sport and the Arts was vital. The Government would have been reluctant to provide the whole sum. The Foundation, financed by the football pools companies in an effort to ward off a national lottery, is proving a good friend to the ENO. The £2m grant is its largest donation to the arts and comes from the £20m it has set aside this year for arts causes. Earlier this month it gave the ENO £400,000 for a new computerised box office.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra in Ives' The Unanswered Question, Szymanowski's First Violin Concerto (soloist Frank Peter Zimmermann) and Brahms' First Symphony, repeated tomorrow evening and Sun afternoon. Fri: Riccardo Chailly conducts Messiaen's Turangalila Symphony. Sun evening: piano recital by Radu Lupu (6718 345)

BERLIN

Schauspielhaus 20.00 Carlo Maria Giulini conducts the Berlin Philharmonic Orchestra in Mozart's Symphony No 40 and Mahler's Das Lied von der Erde, with Keith Lewis and Brigitte Fassbaender, also tomorrow (East Berlin 2090 2156)

BUDAPEST

SPRING FESTIVAL

● **Opera:** at the Pest Concert Hall, Pier Giorgio Morandi conducts this evening's concert performance of Rossini's La scala di seta. There is also a concert performance of Purcell's Dido and Aeneas at the Obuda Social Circle (Kiskorona u 7). Tonight and tomorrow: Moscow Chamber Opera in Shostakovich's The Nose at the Janos Arany Theatre (Paulay Ede u 35, Budapest VI). The State Opera has Erkel's patriotic opera Bank ban tonight, Respighi's La fiamma tomorrow and Sat, and Donizetti's Anna Bolena on Sun.

● **Concerts:** tonight at the Music Academy, the Budapest Strings play music by Mozart, Debussy, Elgar and Sandor Veress. Tomorrow at Budapest Convention Centre, Lamberto Gardelli conducts the Hungarian State Symphony Orchestra and Chorus in Berlioz's Romeo et Juliette. On Fri at the Music Academy, Deszo Ranki and Edit Klukon play music for two pianos. Sat: concert performance of Strauss' Ariadne auf Naxos at the Congress Hall of the Hungarian Academy of Sciences. Sun: Ivan Fischer conducts Mahler's Second Symphony at Budapest Convention Centre.

Dance: the Comedy Theatre (Szent Istvan krt 14) has performances by the Szeged Ballet tonight, the Pecs Ballet tomorrow, the Lyon Opera Ballet on Fri and the Paul Taylor Dance Ensemble on Sat and Sun. The English National Ballet perform at the State Opera on Mon.

Theatre: the Merlin Theatre (Gerloczy u 4) has Shakespeare's Two Gentlemen of Verona tonight and tomorrow, followed by guest performances by the Teatro della Limonaia from Florence on Sat and Sun. T S Eliot's Murder in the Cathedral can be seen at the Kamra Theatre (Ferenciek tere 5) on Fri.

● The festival runs till March 29. Tickets are available from Budapest Spring Festival Ticket Office, Vigado ter 1 (foyer of the Pest Concert Hall), National Philharmonic Booking Office (Vorosmarty ter 1) and Central Theatre Booking Office (Andrassy ut 18).

FLORENCE

Teatro Communale 20.00 Jan Latham-Koenig conducts Luc Bondy's production of Monteverdi's L'Incoronazione di Poppea starring Catherine Malfitano. Runs till March 31, with next performances on Fri and Sun afternoon (277 9236)

FRANKFURT

THEATRE

Kammerspiele 19.30 Steve Berkoff's 1981 play Decadence, also Fri. Sat in Schauspielhaus: Uncle Vanya. Sun: The Merchant of Venice (2123 7444)

English Theater Kaiserstrasse 20.00 Sleuth, thriller by Anthony Shaffer. Daily except Mon till May 2 (2423 1620)

MUSIC

Opernhaus 19.30 Carmen, also Fri and Sun. Tomorrow: Un ballo in maschera with Mara Zampieri. Sat: Mahagonny (236061). Tomorrow in Alte Oper: Semyon Bychkov conducts the Orchestre de Paris. Sun: Julia Varady sings Strauss' Four Last Songs with the Leipzig Gewandhaus Orchestra conducted by Kurt Masur (1340 400). Fri at Jahrhunderthalle Hoechst: Maurice André plays trumpet concertos (3601 240)

GENEVA

Salle Patino 20.30 Opening concert of Archipel contemporary music festival: Diego Masson conducts the London Sinfonietta in music by George Benjamin, Elliott Carter and Schoenberg. Tomorrow's programme is devoted to the music of John Cage. The festival runs till March 29 (475033)

Grand Théâtre 20.00 Friedemann Layer conducts Così fan tutte, also Sat. Tomorrow: song recital by Robert Holl accompanied by Andras Schiff (212311)

HAMBURG

Staatsoper 19.30 Tosca with Anna Tomowa-Sintow and Neil Shicoff. Tomorrow: Don Pasquale. Fri: Le nozze di Figaro. Sat: Idomeneo. Sun: Tannhäuser with René Kollo (351721)

Deutsches Schauspielhaus 19.30 Brian Friel's play Dancing at Lughnasa. Tomorrow and Sun: Arthur Miller's Death of a Salesman. Fri: The Tempest. Sat: Lessing's tragedy Emilia Galotti (248713)

LONDON

Covent Garden 19.30 Steuart Bedford conducts Colin Graham's production of Death in Venice, with Philip Langridge as Aschenbach. Tomorrow: world premiere of new ballet by Kenneth MacMillan (071-240 1066)

Coliseum 19.30 Harry Bicket conducts David Freeman's ENO production of Monteverdi's Orfeo, with Anthony Rolfe Johnson, also Sat. Tomorrow: Kurt Weill's Street Scene (071-836 3161)

MILAN

Teatro alla Scala 20.00 Riccardo Muti conducts first night of Giancarlo Cobelli's new production of Iphigénie en Tauride, designed by Paolo Tommasi. The cast includes Carol Vaness, Thomas Allen and Gösta Winbergh. Runs till April 5, with next performance on Sun. Thurs, Fri, Sat: Manon Lescaut (7200 3744)

MUNICH

Staatsoper 19.00 Evgeny Nesterenko sings the title role in Boris Godunov, also Sun. Tomorrow: first night of Tony Palmer's new production of Dvořák's Dimitrij, with Ben Heppner in the title role, also Sat. Fri: Entführung with Edita Gruberova. Mon: Nutcracker (221316)

Philharmonie 20.00 I Musici di Roma play Vivaldi (346620). Tomorrow and Fri: Rafael Frühbeck de Burgos conducts the Bavarian Radio Symphony Orchestra in Mendelssohn's First Piano Concerto (soloist André Watts) and Ravel's Daphnis et Chloé (558080). Sat: Bach's B minor Mass, repeated on Sun in Prinzregententheater (228571)

Kammerspiele 17.30 Dieter Dorn's production of King Lear, also Sat. Tomorrow: Molière's Don Juan. Fri and Mon: Samuel Beckett evening. Sun: Ibsen's Lady from the Sea (23721 328)

NEW YORK

THEATRE

● A Streetcar Named Desire: Jessica Lange makes her Broadway debut as Blanche Du Bois in Tennessee Williams' Pulitzer Prize-winning play, directed by Gregory Mosher. Now previewing, opens on April 12 (Ethel Barrymore, 243 West 47th St, 239 6200).

● Death and the Maiden: Glenn Close, Richard Dreyfuss and Gene Hackman in Ariel Dorfman's harrowing play about torture and revenge in Chile. Evening performances Tues to Sat, plus Sun afternoon. No performance tomorrow (Brooks Atkinson Theater, 256 West 47th St, 719 4099).

● Private Lives: Joan Collins stars in the 1930 Noël Coward comedy. Runs till April 5 (Broadhurst Theater, 235 West 44th St, 239 6200).

● Ticketmaster answers inquiries and sells tickets for some Broadway shows (307 4100) and rock/pop concerts (307 7171)

JAZZ/CABARET

Blue Note Two American music legends make their Blue Note debut this week: blues harpist and vocalist Junior Wells and his band, and R&B saxophonist and singer Junior Walker, backed by Billy Lippitt on Hammond B-3 organ, Jerome Davidson on guitar, Darryl Buchanan on bass and Jerome Teasley on drums. Showtimes 21.00 and 23.30 (131 West 3rd St, 475 8592).

Carlyle Hotel Eartha Kitt is in residence at the Cafe Carlyle for the next few weeks, with her inimitable repertory of songs about men and money. Shows at 20.45 and 22.45 (Madison Ave at 76th St, 744 1600)

ROME

Teatro dell'Opera 19.30 Ghena Dimitrova stars in Sylvano Bussotti's production of La Gioconda, also Sat. Tomorrow and Sun: Tosca (488 3641)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week - a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1600-1630 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday March 18 1992

From here to Hongkong

CROSS-BORDER bank mergers are notoriously difficult to pull off. Indeed, the recent histories of both Midland Bank and Hongkong and Shanghai Banking Corporation offer a perfect illustration of the hazards and pitfalls. Midland's disastrous acquisition of Crocker in California in the early 1980s provided business schools across the world with a classic case study in how not to conduct an overseas acquisition. Hongkong and Shanghai's losses at Marine Midland in New York state were on a smaller scale than Midland's but point to the same question. Would a takeover of Midland by the British-based parent of the Hong Kong bank have any remote chance of success?

In all bank mergers there are regulatory obstacles to be overcome at the outset and in the present case they are compounded because of the sensitivities of the People's Republic of China before the formal hand-over of power in Hong Kong in 1997. But it would be surprising if the Bank of England attempted to block the proposal, as it did with the Hong Kong bank's bid for Royal Bank of Scotland in 1981.

In the earlier case, the Bank of England was piqued that the Hong Kong bankers had attempted a bid for a British clearing bank without its fiat. Its officials claimed before the Monopolies Commission that the transfer of control overseas of a significant part of the British clearing bank system would be detrimental to the public interest because of an inherent conflict of interest. The Hong Kong bank's primary loyalty was, they suggested, to the people and territory of Hong Kong.

Thin argument

The argument looked thin at the time; and while the approach of 1997 may lend it more force, it is hard to believe that adequate arrangements to protect Midland's depositors from financial crises in Hong Kong could not be made. More to the point, the Hong Kong bank is an exceptionally well capitalised institution. It is doing the Bank of England a favour by offering a solution to the weakest link in the British clearing bank chain.

The Bank of England conceded in its evidence to the Monopolies Commission a decade ago that cases might arise where "a United Kingdom bank might be so clearly in need of fresh blood and impetus that a bid from outside would on balance be preferable to the status quo". That is manifestly the case with Midland. It would be absurd for the Bank of England, weighed down as it is by the general consequences of lax monetary control and more specific questions over prudential supervision at BCCI and elsewhere, to suggest otherwise.

Competition policy

There are no problems here for competition policy. By bringing its strong balance sheet backing to Midland, Hongkong and Shanghai will, if anything, intensify competition in British banking. No doubt some bankers will argue that this is unfortunate, in that Britain is overbanked. But the case is scarcely persuasive when the immediate threat to the economy is that capital constraints in banking could hold back credit growth, thereby threatening recovery.

The really difficult question here is for the shareholders in the Hongkong and Shanghai Banking Corporation. The bank's greatest merit has been to be in the right place at the right time to play host to some of China's most dynamic entrepreneurs as they fled from communist China. That is how it came to be transformed from a sleepy provider of trade credit to the Asian economy to a regional banking giant. Its attempt to move to global status, meantime, has met with singularly mixed fortunes.

It would be hard to argue with the timing of the bid. Many of Midland's skeletons have been cleared out and the profits stand to benefit disproportionately, relative to the other clearing banks, from recovery. Yet the move into Midland means that the Hongkong and Shanghai shareholders' stake in one of the world's most dynamic economies could be significantly diluted. Admittedly the China factor muddies the argument. But why not, in view of the unhappy experience of past acquisitions, leave it to shareholders to take out their own insurance?

Education by opt out

THE Conservative education manifesto contains measures to promote parental choice and schemes to suppress local democratic control. Selection, managerial autonomy and state-funded places in private schools will be – or stay – in. But the local education authority will disappear in its current form, as all schools are encouraged to opt out of local authority control – including primary schools, which are to be allowed to opt out in groups.

It is an unwholesome combination. If implemented, it could inflict severe harm on the education system.

The plight of Stratford School, east London, ought to have put paid to the policy of opting out. Stratford, a grant-maintained secondary school with a substantial Asian intake, gained independence from its local education authority last year. Its governors, a majority of whom are claimed as supporters by the London Collective of Black Governors, are currently attempting to dismiss the head teacher. The school is in turmoil; accusations of racism and intimidation abound; the case is in the courts; and the only recourse is to Mr Kenneth Clarke, education secretary, who has so far had to intervene three times in the governing body's deliberations.

Ultimate control

The moral is clear: if local education authorities wither through the Conservative distrust of local government, they will have to be recreated. It is not an issue of day-to-day intervention, but of ultimate control and funding. Mr Clarke could not conceivably act as the court of appeal for 25,000 schools; nor could the education department itself monitor and allocate funds to so many institutions. If many more schools opt out, it will need regional councils for the purpose. We will end up with education quangos akin to the regional health authorities.

Such centralisation by the back door will affect more than the health of local democracy: it could lead to the widespread return of selection for entry to secondary schools. For Mr Clarke has indicated that he will treat sympathetically applications by grant-maintained schools to reintroduce formal entry tests. At present, a mere 159 grammar schools survive in England; they could soon be reappearing across the country by a haphazard process of governor initiatives. And where grammar schools appear, secondary moderns must inevitably follow for their rejects.

Prepared experiments

This is no way to proceed. The comprehensive school is not universally admired; there is a good case for allowing schools to specialise and provide for particular needs. But it should be argued nationally, with carefully prepared experiments to test options. Elected local authorities could play a part in this. Reform should not be the result of random selection by school governors, with no democratic check other than the sanction of a remote minister in London.

Opting out is not to be confused with autonomy: under the local management of schools initiative, supported by both opposition parties, institutions are rapidly gaining freedom to manage their own budgets, appoint their own staff and organise their own priorities, within the context of the national curriculum and entry policies determined for them.

This is as it should be. It has an important side-effect: in tandem with other policies – like the national curriculum and reforms to teacher training – it is helping to blur the division between the state and independent sectors. State schools are gaining much of the self-control – and with it the self-respect – that independent schools rightly value, while the private sector is coming increasingly to share a single curriculum, professional and regulatory structure.

The dialogue between the two sectors needs strengthening. That, perhaps, is the strongest reason for continuing the Conservatives'assisted places scheme, which pays all or part of the fees of more than 30,000 children attending private schools. It is not a question of privilege, but of extending choice and quality – and facilitating the process of mutual learning between the two sectors without which both will be impoverished.

A merger of the Midland and Hongkong banks to create an £8bn group would not be a marriage of equals, says **Robert Peston**

Griffins and dragons

Midland Bank and HSBC Holdings, parent company of Hongkong and Shanghai Banking Corporation, approach their impending union, announced yesterday, with very different emotions.

Directors of Hongkong Bank can barely contain their excitement at the prospect of carrying off a big European bank after more than 30 years of courtship. "We have been looking for an acquisition in the UK since the late 1950s," said an executive.

For almost exactly the same length of time, Midland Bank has been in decline. In the early 1950s it was the biggest bank in the world. But for the past two years, it has been touch and go whether it made a pre-tax profit.

However, in the past couple of months, Midland had begun to believe that it had turned the corner under its new chairman, Sir Peter Walters, and new chief executive, Mr Brian Pearse, who were appointed last spring. Although its after-tax profits were wiped out in 1990 and 1991 by losses on loans to UK companies and consumers, there were signs of progress: costs have been kept under control and revenue from interest and commissions has been rising strongly.

So Midland's directors are slightly disappointed to be deprived of the challenge of steering the bank back to health as an independent entity. But Mr William Purves, Hongkong Bank chairman, is ready to make them an offer they cannot refuse.

If the deal goes through – and bankers were confident yesterday that it would – it will create the world's first genuinely transcontinental bank, with strong businesses in both the Far East and Europe, together with a smaller presence in North America and the Middle East.

The two banks made only the tersest of public statements yesterday when they posted the bans. They said they had agreed that a "merger of the two groups would now be in the best interests of both companies and their shareholders".

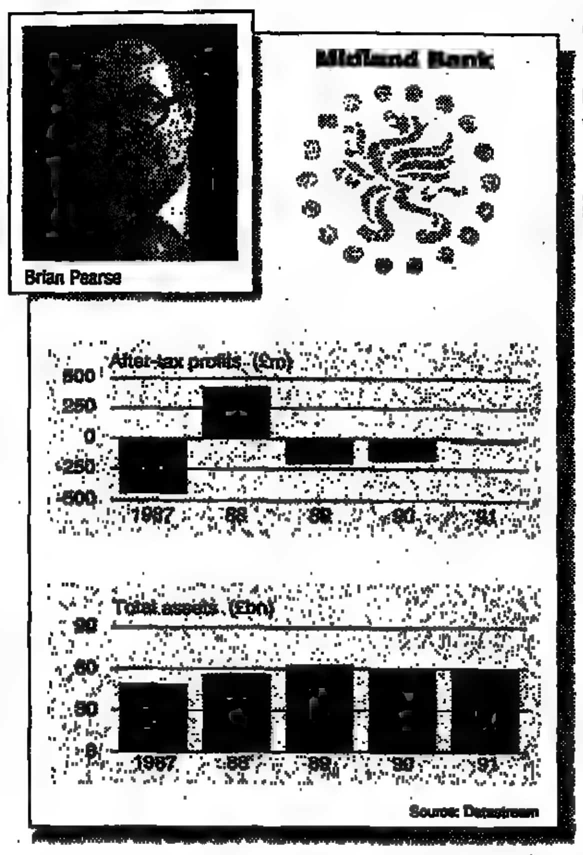
Until a formal offer from Hongkong Bank is on the table, the executives of the two banks are constrained from making any further public statements about the deal by the Takeover Panel and the Stock Exchange. If bankers make statements which seem to put a value on the two businesses, the regulators can insist that any merger terms are based on those implied values – which Hongkong Bank or Midland might later regret.

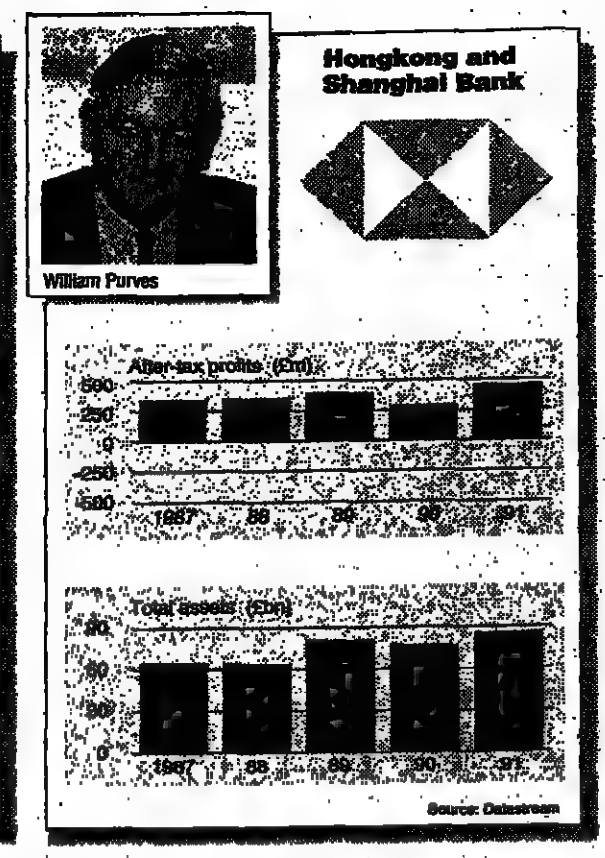
Nonetheless an account of the gestation and aims of the deal can be constructed from interviews with the bankers and their advisers.

Formal terms cannot be agreed until the banks have examined each other's balance sheets and loan books and formed a view of the relative value of the two businesses. This process of "due diligence" should not take more than a couple of weeks, since the organisations know each other well already.

Hongkong Bank should then ask Midland shareholders to swap their existing shares in the bank for new shares in Hongkong Bank – analysts said yesterday that Hongkong Bank would probably offer one of its shares for each Midland share, valuing Midland at more than £2.5bn and the combined group at about £8bn. Not only was the official statement from the two banks short, but bankers make it clear that it was slightly economical with the truth. This will not be a "merger" or marriage of equals. If the negotiations are successful, Hongkong Bank will make a takeover offer for Midland and will emerge – under the chairmanship of Mr Purves – firmly in control of the combined businesses.

However, a takeover cannot be completed without the formal approval or behind-the-scenes blessing of a number of regulators and governments. Hongkong Bank has sounded out the Chinese government which will take control of Hong Kong in 1997, and is hopeful of winning its approval.





The attitude of the British government – whether Labour or Conservative – would depend on foreign policy considerations and thus on an assessment of China's stance. Neither the UK Department of Trade and Industry nor the EC competition authority in Brussels is expected to block the deal – the combined business is unlikely to be seen as having an unfair competitive advantage, since Hongkong Bank's presence in Europe is relatively small at the moment.

As for the Bank of England, it will examine any takeover proposals carefully, although it is expected to give its approval. The Bank's primary aim is to protect the interests of Midland's depositors. So it will seek guarantees that Midland's deposits will not be used to make loans in the colony – just in case there is an economic calamity in Hong Kong after 1997 when it reverts to Chinese rule.

There should be big advantages for both banks in combining their businesses. Hongkong Bank should acquire a big source of earnings outside Hong Kong. It points out that it is not turning its back on Hong Kong and would not expect to reduce the scope of its operations there either before or after 1997. It has made that clear because it does not want to alienate the Chinese authorities.

But a deal with Midland provides it with extra insurance in the event – which Hongkong Bank says is unlikely – of economic decline, panic in the local banking market or nationalisation of assets in the colony after the Chinese take over.

Last year, it took out a preliminary insurance policy by creating a holding company, which became owner of all its operations and is domiciled in London rather than Hong Kong. This makes it difficult for any Chinese government more hostile to private enterprise than the current one to control the group's assets outside the colony.

As for Midland, takeover would end years of uncertainty about its financial strength and its future ownership. Putting aside the uncertainties relating to the Hong Kong economy,

If negotiations succeed, Hongkong Bank will make a bid and emerge firmly in control of the combined businesses

which cannot be quantified, Hongkong Bank has a very strong balance sheet.

Indeed, in the next few weeks it will reveal quite how strong it is, when it discloses its secret "inner reserves" – which analysts estimate at about HK$20bn (£1.5bn) and which have been tucked away for a rainy day.

With the backing of Hongkong Bank's capital, Midland will have valuable additional resources to expand its businesses. It will, for example, be able to lend more to UK companies and individuals, rather than shrinking its balance sheet, as it has been doing recently.

The margin between Midland's borrowing and lending rate should also improve. IBCA, the leading European rating agency, said yesterday that it was likely to upgrade the credit rating it gives to long-term deposits with Midland. What this means is that Midland will be perceived as a stronger business under Hongkong Bank's ownership, and should therefore have to pay less interest to attract deposits.

Given that the two operate in separate markets with separate cultures, integration will not be trouble-free. But it should be less difficult than if it involved other banks from different countries for two reasons:

- Hongkong Bank has a strong British tradition. It was founded in 1865 to serve the local trading houses in Hong Kong and Shanghai and its senior directors tend to be expatriate Scots.
- It has been working closely with Midland since December 1987, when it took a 14.9 per cent stake in the British bank.

Hongkong Bank's pursuit of Midland falls into two distinct episodes. From the end of 1987, the two banks started to learn about each other's operations and to ascertain where they could work fruitfully together. In the succeeding two years, they traded certain assets. Midland injected most of its Far Eastern operations into Hongkong Bank and took control of Hongkong Bank's fledgling continental European businesses.

The goal was a full merger – and at the outset, there was a hope within Midland that it would be a marriage of equals. When Hongkong Bank bought its stake, it gave a commitment that it would not increase it or dispose of it for three years. This was regarded – both inside and outside the bank – as a merger deadline.

But by the summer of 1990, both banks had begun to have cold feet. Hongkong Bank's US and Australian operations were making losses running to hundreds of millions of US dollars – sorting them out was clearly going to occupy management.

Midland's difficulties were, if anything, even more serious. The onset of the UK recession meant that it was facing the prospect of enormous losses on UK loans. The magnitude of the problem was shown early in 1991, when it became the first clearer to cut its dividend since the 1930s.

If the management of both banks faced serious problems running their own organisations, they were perhaps going to face too much of a challenge in managing the integration of their two organisations.

There was an additional obstacle. At the time, Chinese approval was in doubt.

So on December 17 1990, the two banks issued a public statement that it was not the "right time" to consider a merger. This was interpreted by bankers and the press as an attempt by Hongkong Bank to say in the politest way possible that it had no intention of marrying Midland.

Sir Kit McMahon, Midland's chairman and chief executive at the time, was disappointed, having been the leading proponent of the deal. He had never based his strategy purely on the assumption that the merger would take place, but he had allowed expectations to build up inside the bank and in the City that a deal was likely.

Bankers in London say that he was probably also a little too slow to reorganise the core UK banking operations, which had become relatively less efficient than their main UK rivals. As a result, the Bank of England encouraged Midland to replace Sir Kit. The Bank sponsored the appointment of Mr Pearse and Sir Peter, which took place in March last year.

Nonetheless, Sir Kit had begun to cut costs and to ensure that Midland was pricing its products in a profitable way. Mr Pearse encouraged this process. By the end of the year, Mr Pearse and his colleagues began to be convinced that Midland had a future as a successful independent bank.

But Hongkong Bank still had its 14.9 per cent stake and the Kuwait Investment Office, the investment arm of the Kuwait government, has a further 10 per cent, which it acquired in the 1980s as one of its strategic holdings. "We were aware that we were very vulnerable if Hongkong Bank decided it was still interested in bidding," said a Midland banker.

In the past year, Midland has had conversations with about 15 banks which said they were interested in buying parts of the bank, of which a third hinted they might be interested in a full-scale merger. But nothing could happen until Hongkong Bank decided what to do with its shares.

At the end of last year, Midland became aware that Hongkong Bank was becoming amorous again. Midland got its first hint in an interview with the Hongkong Bank's deputy chairman, Mr John Gray, which was carried in the South China Morning Post. "We started to dust off our Hongkong merger files," said the Midland banker.

Hongkong Bank's confidence had returned, because the losses in Australia and the US were diminishing and its profits from Hong Kong were at record levels.

Then the day after Midland published its 1991 results on February 27, Mr Purves became less coy. Midland started to work around the clock on the details.

On March 5, he had his first conversation with Midland's chief executive and chairman on the details of the takeover. Mr Pearse and Sir Peter now had no illusions. Independence was no longer an option.

OBSERVER

Stalking points

■ Anyone seeking a sense of how long Hongkong Bank has been stalking Midland need only talk to Bernard Asher.

Boss of the James Capel subsidiary and one of two "honkers bankers" men on Midland's board, he was the corporate planner during the Hongkong Bank's abortive bid for Royal Bank of Scotland 11 years ago. Even then he liked the look of Midland.

However, he did not start taking its charms seriously until "six or seven years ago" when he was in charge of identifying possible partners. The more he came to know the Midland, the more logical a marriage appeared, says Asher, a former director general of the UK's National Economic Development Office.

One of his first intimations that wedding bells would ring came when he wanted to discuss his pay with someone at his employers' headquarters in Hong Kong. He was referred to a Midland banker who was on secondment there.

One difference from the Royal Bank affair is that the Hongkong Bank is using Schroder Wagg as its adviser instead of Hambros – which may be connected with the fact that Schroders' chief executive Win Bischoff is an old Hong Kong hand.

Or perhaps it was because the Bank of England fell out with Hambros last time round after Hambros refused to dissuade its client from pressing the bid. That, oddly enough, was much to the displeasure of the Governor, Gordon Richardson, who just happened to be an old Schroders man himself.

Hiccup

■ Dutch discothèque-owner Eric Doppen meant well when he installed an electronic speaking-breathalyser by his street-door. But although the guilder-a-blow device has proved instantly popular, it is not being used quite as he foresaw.

His object was to enable the Groenlo disco's customers to check whether they were legally sober enough to drive. Instead, they are using it as a referee for drinking-contests. The game is for parties to arrive by cab, whoop it up, then the one ending with the highest count on the breathalyser pays everyone's fare home.

"It's become a question of honour to be the one who pays," the owner sighed.

Roll up

■ Swiss claims on Scottish territory are about to be diminished by the sale of the island of Gigha, off the Mull of Kintyre. Savills has been asked to sell it by Interallianz Bank of Switzerland which took possession of it as creditor of a property company named Tanap Investments UK.

The man behind Tanap is Malcolm Potier, who lives in Kent and has commercial holdings in several Scottish towns. He bought Gigha (pronounced gear) for £5.4m in 1989 from David Landale, secretary to the Duchy of Cornwall which is responsible for the Prince of Wales's property.

The island's six square miles include a mansion, hotel, fish-farm, and grass airstrip, not to mention gardens where camellias and rhododendrons flourish in the frost-free air of the Gulf Stream.

Guy Galbraith of Savills in Edinburgh is not stating an asking price. He's relying on the Scottish system of asking for sealed bids and setting a closing date to work its usual magic, even at times like these.

Who me?

■ Do recessionary times make difficult people even more difficult to cope with? During the next four months, 15 one-day seminars on the subject of "Dealing with difficult people" will take place, half as many again as were staged in the whole of last year.

"He's too set in his ways to change tax brackets"

The organisers, the Institute of International Research, put difficult people into categories such as connivers, emperors, wet blankets, saints, wonderful ones, saboteurs, exhibitionists, steamrollers, and emotional misfits.

While Observer is quite sure that none of its readers could ever be so described, those who have the misfortune to work in close proximity to a likely example can cough up £99 (excluding VAT) and learn how to devise their very own seven-point master plan to deal with the "super difficult".

Chuffed

■ GrandMet chairman Sir Allen Sheppard tells me he is well pleased at the response to his round robin about businessmen and the election. Although far from all of his counterparts were willing to "put their heads above the parapet", he was "quite amazed" that two out of every three he approached were ready to sign his letter to The Times.

He has never found such a consensus before, except in the GrandMet boardroom, he says. The only real differences were over fine points of syntax. In terms of heavy-weight names Sir Allen's letter is reasonably impressive although it does not quite match the list of distressed businessmen, led by Rolls-Royce boss Lord Tombs, who wrote to The Times to complain at the Conservative Party's ditching of Margaret Thatcher in 1990.

The only names common to both lists are those of Sir John Cuckney, Sir Patrick Meaney, Lord King and Neil Shaw.

Muddy campaign

■ Sir Rex Hunt, governor of the Falkland Islands during the Argentine invasion ten years ago, takes a predictably robust view of the current British election campaign.

In his latest column in the islands' main media outlet, the charmingly quaint Penguin News, he says: "It is difficult to write a letter from the UK at this time without referring to the forthcoming general election . . . Most of us are heartily sick of the mud-slinging and have already made up our minds for whom to vote; but that will not stop the politicians from wasting millions of pounds on their election campaigns."

Looks like the Green Party might show a distinct swing in Sir Rex's Sunningdale constituency.

Strip tease

■ How many men do you need to wallpaper a room?

It depends on how thinly you can slice them.

Claire Bolderson, recently in Rangoon, reports on the offensives by Burma's military government against ethnic minorities

Tightening the noose

On Burma's western border, Moslem refugees fleeing persecution are streaming into Bangladesh at the rate of 5,000 a day. On the eastern border, Thai forces are on alert and another refugee exodus is feared. In Rangoon, the capital, one of the world's most authoritarian regimes is relentlessly tightening its hold on power.

Mrs Khaleda Zia, prime minister of Bangladesh, is this week visiting the US to ask President George Bush and the United Nations Security Council to intervene in the refugee crisis.

At least 200,000 Moslems, known as Rohingyas, from Burma's western Arakan state, are living in makeshift camps in Bangladesh. They have fled the Burmese army which, according to their detailed and consistent accounts, has unleashed a terrifying campaign of rape, torture, killing and forced evictions to make them leave.

Close to the border with Thailand, Burmese forces are engaged in another fierce offensive against ethnic minorities, as Karen rebels, who have been joined by other opposition groups, grimly defend their base at Manerplaw. Thai fighter pilots have been ordered to attack Burmese aircraft which enter Thailand's air space in pursuit of the rebels, and at the weekend Thai artillery opened fire on Burmese troops which had crossed the border to attack the Karen base from the rear.

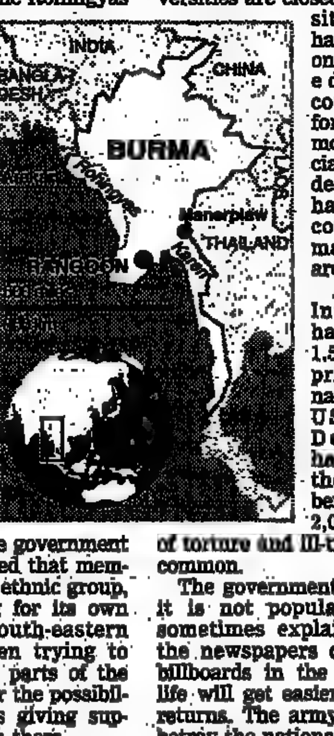
The attacks on ethnic minorities are part of a drive by Burma's ruling State Law and Order Restoration Council (Slorc) to establish its grip on all walks of life. The military junta took power in 1988 as pro-democracy demonstrations were sweeping the country. It held elections in 1990, but has ignored their result. It has kept the 1991 Nobel peace prize winner, Aung San Suu Kyi – leader of the opposition party which won a landslide victory in the poll – under house arrest since July 1989.

To try to squash numerous ethnic rebellions on the borders, the military is undergoing a rapid expansion. When the Slorc came to power in 1988 the military was about 180,000-strong. Now it is believed to have more than 250,000 men and that the number will double to some 500,000 by the end of the century.

The intention, Burma-watchers say, is to enmesh the army so deeply in the bureaucracy and state institutions that it can never be removed, even if it does one day allow civilians some measure of participation in the political process.

Burmese people offer little comment on what the government is doing against the Moslems and Karens. For them the campaigns are just another example of the extremes to which the army is prepared to go to establish total control over the whole of the country.

The military government in Rangoon denies allegations of ill-treatment of Moslems and, through the tightly controlled media, accuses foreign news organisations of attacking the country with "fabricated reports". It says the Rohingyas are not one of Burma's native ethnic groups, and that the refugees are illegal immigrants or ignorant locals who have been lured away by Rohingya "terrorists".



Foreign residents in Rangoon say that a big immigration check has been under way in Arakan state and that the military has been expanding its barracks and roads in the area. They say the government has been concerned that members of the Karen ethnic group, which is fighting for its own homeland in south-eastern Burma, have been trying to infiltrate western parts of the country. They fear the possibility of the Karens giving support to separatists there.

On the streets of Burma's slowly decaying cities, few soldiers are visible – an indication, says a foreigner in Rangoon, "of just how confident they [the military] are". There are, however, said to be soldiers hidden in many buildings and stationed on the outskirts of the bigger cities, where they can be quickly called on if needed. There are thousands of military informers scattered throughout the population and even the most innocent of conversations is reported. "The government controls everything," says the young driver of a pedal taxi.

Nearly two years after the election, the Slorc shows no intention of giving up power. "Political activity is on hold," says one diplomat. "They've got the place very, very tightly sewn up."

Of more than 200 political parties which registered for the May 1990 election, just 32 remain. All are monitored by the authorities; none is allowed to organise, or even discuss, anti-government activity. Universities are closed and university teachers have been sent on political re-education courses. Many former pro-democracy politicians and student activists have fled the country, and many others are in prison.

Amnesty International has identified 1,500 political prisoners by name, and the US State Department has estimated the full number to be about 2,000. Reports of torture and ill-treatment are common.

The government, aware that it is not popular at home, sometimes explains through the newspapers or giant red billboards in the streets that life will get easier as stability returns. The army "will never betray the national cause", one such board reads.

It is also aware that it is vulnerable to growing economic discontent, and is seeking to do something about the chaotic economy. Sources in Rangoon say it has drawn up a four-year economic plan. The main aims are to revive exports, increase agricultural productivity and boost efficiency of state enterprises. Shortages of inputs such as fertiliser and electricity will make that difficult.

The Slorc is believed to want to encourage joint ventures with foreign companies. However, Burma's poor international standing and the publicity attracted by persecution of ethnic minorities may make this increasingly difficult.

The Slorc ended 26 years of the "Burmese road to socialism" when it took power, and announced that there would be an open economy. A foreign investment law was passed, prompting a flurry of activity. Thai companies are involved in logging Burma's forests; Singapore, Japan and South Korea have significant involvement in the country; PepsiCo of the US set up a bottling plant, while Amoco and Unocal of the US, BHP of Australia, Japan's Idemitsu and Shell are among 10 foreign oil companies which signed contracts to work in Burma. However, repatriation of profits requires cabinet approval, bureaucracy is a nightmare and corruption is endemic.

Foreign trade has increased substantially, though much of what is available on the streets is the result of rampant smuggling. Not long ago it was impossible to buy a light bulb or a tube of toothpaste, but today shops are full of Chinese, Japanese and western-made goods. Almost anything can be bought at Rangoon's night markets, and foreign films are popular.

Some Burmese have done well out of the new economic openness. "They are very rich but we don't know where they get it from," says a young restaurant worker who, like most people, is struggling to make a living. Inflation is high – rice prices rose by more than 60 per cent last year – and there is a shortage of petrol at the government pumps while on the black market the price per gallon is six times higher. As a result, transport is scarce.

Economic sanctions by foreign countries, say Burmese dissidents living in exile, may be the only way to bring the Slorc down. But though the US and European countries have taken measures to isolate Burma, a full-scale embargo seems a long way away. Telling pressure could be exerted by south-east Asian neighbours. Most have made individual protests, but they have refused to take a united stand. In the absence of strong external pressure and with domestic opposition kept in check, the Slorc seems set to continue its repression.

Edward Mortimer

Foreign aid as vote winner

The UK general election has put overseas development back on the agenda of all political parties

FOREIGN AFFAIRS

"I was thinking," I said to the lady in the Conservative party's research department, "of writing something about the different parties' policies on overseas development – sort of, on the margin of the election campaign, as it were..."

She bridled. "I don't think it'll be on the margin. There's going to be quite a substantial passage in our manifesto."

This is interesting. Concern for the Third World, after all, is hardly a central feature of the Conservatives' brand image. One of the first things you learn, on opening the new Labour policy document on the subject[1], is that "since 1979 the Conservatives have cut the aid budget by 17 per cent in real terms – and by nearly half as a proportion of our national wealth, from 0.51 per cent to its present 0.27 per cent, its lowest ever on record".

These figures do not seem to be disputed by the Conservative party but the interesting thing is that it is not proud of them. What the party's research department wishes you to know is that "Britain's aid programme is the sixth-largest among western donors – and growing[2]". Both parties assume, in other words, that British voters, unlike their American cousins, like the idea of their money being spent on foreign aid.

I need hardly tell you that the same assumption is made by the Liberal Democrats. Like Labour, they propose "an increase in UK official development assistance to 0.7 per cent over five years" (a target set by the UN, which the government "accepts in principle" although "like its predecessors, it has no set timetable to achieve it"[3]). But the Lib Dems go further, recommending a further increase to 1 per cent over the succeeding five years (something stated by Labour as an "aim" in 1987, but now dropped).

The Green party takes the same position, while the Scottish National party, belying national stereotypes, is even more generous with the money of putative Scottish taxpayers: "Scotland will accept as an immediate target for the aid budget the UN figure of 0.7 per cent of gross national product, but would aim at 1 per cent of GNP by the fifth year after independence." Plaid Cymru, more prudently, confines itself to the statement: "It is only when this minimum target [0.7 per cent of GNP] is achieved that we can show our real commitment to genuine development"[4].

These figures are inevitably quoted, because they are the simplest quantitative indicator of how much importance a country (or a party) attaches to overseas development. But all parties are quick to point out that such a crude total means little by itself.

Aid nowadays is judged by its "quality" as much as its quantity, and there are various ways that quality can be assessed. Does the aid reach the people who need it most, and does it address their "basic needs"? Does it help to promote human rights, democracy or, more broadly, "good government"? Does it promote development that is "sustainable", in the sense of not wrecking the environment or consuming irreplaceable resources? Does it help people to become self-supporting, rather than turn them into permanent basket-cases?

Both main parties assume, in other words, that British voters, unlike their American cousins, like the idea of their money being spent on foreign aid

All those objectives are accepted by all parties as desirable, but they do not necessarily all point in the same direction. Giving priority to the poorest countries does not automatically benefit the poorest people, and targeting the poorest people will not always be the most effective way of stimulating development.

"Good government" may indeed be good for development, but bad government is often at least as much an effect as a cause of under-development, so that to withhold development aid from a country which has a bad government may simply help to perpetuate the vicious circle. It is often very difficult to know whether the potential benefit of a given project or programme outweighs the harm it may do by strengthening an oppressive government, or not. Such decisions need to be based on expert knowledge and detailed information, which implies a relatively large staff, possibly absorbing too large a share of the total aid programme.

The present government has put "good government" at the top of its list of priorities, while in the Labour document "democracy and development" come second, after "putting the poor first". In the words of Mr Ed Mayo, head of campaigns at the World Development Movement, a cross-party pressure group: "Although both parties do paint these two issues into their policy strategy, with their own emphases, the contrast is still strong enough for one to caricature what is on offer to voters as a choice between less poverty (Labour) and less tyranny (Conservative)."

Labour perhaps strains credulity by promising to put "development at the heart of government", but backs it up with a pledge to create a department of state, the Department of International Development, to be headed by a cabinet minister. The idea is to give development interests a direct voice in the cabinet, and help them to resist the distorting pressures of the Treasury, the Foreign Office (to which the present Overseas Development Administration is subordinate) and the Department of Trade and Industry.

It has to be said, however, that the record of previous Labour governments is not encouraging. In 1964 and 1974 the development minister started off with cabinet status, only to lose it within three years as public spending came under heavier pressure. Moreover, while Labour is critical of the Conservatives for using the "Aid-Trade Provision" to support British companies competing for contracts overseas, "with virtually no meaningful attempt to impose development criteria", it no longer promises, as in 1987, to replace this provision with a Trade and Development Fund outside the aid budget. Instead, it merely says the option of transferring responsibility for it to the DTI "will be considered".

Labour agrees with the Conservatives that "trade has a bigger impact on developing countries than aid ever could or should have". Yet it still leaves discussion of trade issues till last. Indeed the Tories themselves persist in using "overseas aid" as the overall heading for their development policies.

The arrangement of the Liberal Democrat green paper is more logical, starting with a discussion of the notion of sustainable development; discussing in more detail the environmental dimension, the people dimension (population, education, health, refugees) and development strategies; then a long section on trade policies and a shorter one on debt before it gets round to aid.

No party seems to dissent from the view, expressed by the prime minister at the Commonwealth heads of government meeting in Harare last October, that "there is little point in the developed countries providing aid for economic development if the developed countries then deny access to our markets for those very same countries". The trouble is that, for all too many products, that is precisely what the developed countries do.

The European Community is one of the worst offenders, and the chances that a Labour government will succeed in changing that, whatever the outcome of the Uruguay Round, seem fairly slim.

[1] *A world of difference: Labour's programme for aid and development (Labour party, £2.50 or £5).* [2] *Overseas Aid: the new agenda (Politics Today No. 2, £2).* [3] *Shared Earth: Federal Green Paper No. 15 (Liberal Democrats, £4.25).* [4] *Where the Parties Stand: WDM Guide for the General Election (World Development Movement, 25p).*

LETTERS

Deliberate use of consensus system

From Mr Robert Wang.

Sir, I commend your editorial "Overkill in Japan" (March 12) on the risks to the global financial community posed by Japan's mounting financial problems. Yours is one of the few publications to treat the issue with the gravity it deserves.

Yet I beg to differ with your analysis of the consequences of the recent scandals, which instead of threatening Japan's consensus system may be its salvation.

In fact, these scandals may have been the product of a deliberate decision of the "consensus system" to vitiate the obligations of the securities houses to pay loss guarantees and to fulfil other questionable promises that they could not satisfy in a free-falling market. By deliberately provoking a public controversy, the consensus system could relieve the brokerages of financial obligations they could not meet and, thereby, avoid disaster.

The lawsuits filed by some of the investment funds suggest that the brokerages may have miscalculated the effectiveness of this ploy. Nevertheless, these kinds of dispute may be merely signs of self-correction, to be resolved through the consensus mechanism.

I hope your prognostications come true. Reform of Japan's finance is critical not only to Japan, but also the world. The scandals of 1991-92, which would have sent a western financial system to its knees, in the Japanese context appear only to be a conscious venting of the economic steam engine, while the train roars onward.

Robert Wang,
1667 K Street NW #990,
Washington DC

Devaluation

From F S Dalal.

Sir, I am surprised to find the fear of sterling devaluation among business chiefs.

In my opinion, devaluation within the ERM is a good boost for economic recovery and ultimate expansion of British business and reduction of unnecessary imports.

F S Dalal,
F S Dalal & Co,
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London E1 2LX

An odd tax system to encourage investment

From Stephen R Bond.

Sir, A lot of hot air has been spoken in the last week on the subject of capital allowances and corporation tax. Norman Lamont suggested during his Budget speech that the present UK corporation tax does not act as a drag on investment. Would that this were so, but unfortunately all the research of which I am aware indicates that this tax does discourage economically viable investments.

The reason is not hard to find. For investment financed by borrowing, companies can deduct the approximate costs of both depreciation and finance through capital allowances and interest deductibility, so that the tax is approximately neutral. For investment financed from retained profits, they can claim only capital allowances.

The lack of any deduction for the cost of using equity finance comparable to interest deductibility in the case of debt means that equity-financed investment is discouraged. Since about three quarters of total company investment is financed from retentions, corporation tax certainly acts as a drag on investment. Estimates from the Institute for Fiscal Studies suggest that this drag could be the equivalent of an extra two percentage points on interest rates for investing companies. Add to this the discouragement that business rates impose on business investment in buildings and the combined effect begins to look serious.

The Labour party's response is a curious mélange. Its "shadow" Budget proposal gives, for a temporary period only, a small subsidy to investment in manufacturing plant and machinery. This form of investment accounts for only one-fifth of total company investment in the UK, so the remaining four-fifths would be unaffected.

Just why manufacturing investment in plant and machinery should temporarily be singled out for special treatment is hard to fathom. While this would achieve a modest and short-lived stimulus to this form of investment, it looks like a very odd way to run a tax system.

Stephen R Bond,
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Oxford OX1 1NF

Lessons about property costs

From Mr Martin Forde.

Sir, Mr Jack's letter (March 10) on the unlevel playing field between domestic and business property costs such as rent levels does not draw the most important lessons. Business will always drive out residential use. Only planning procedures can prevent this. In central Paris, free residential rents are half office rent levels.

There is, too, the vital need for a vigorous free domestic rental sector which British governments have refused to recognise for decades. The Englishman's obsession with ownership of his castle is not shared by other countries' citizens. Renting is often the cheaper option, and promotes labour mobility.

Mortgage tax relief is an iniquitous favour to the non-poor, and should be abolished. Subsidies to the poor should be per family, not designated to a particular dwelling.

If we want to alter the power balance for property use allocation between business and residential, by all means tax business via VAT on all outgoings for property, plus payroll while we're at it, provided that – very important – tax on profits is reduced. This would be a leveraged incentive to managers to perform better.

Martin Forde,
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Paris 75003

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Significant?

From A Nohejl.

Sir, Is there any significance in the arrow pointing "right" in front of the shadow chancellor's team on your front page picture (March 17)?

A Nohejl,
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Security that money schemes cannot buy

From Mr V J Chambers.

Sir, Philip Chappell ("Time to unmask a pensions charade", March 13) correctly points out that money purchase pension schemes (of which personal pensions are an expensive variant) can produce splendid pensions – but only with luck. That is the fundamental weakness – the amount of pension depends on the investment returns over decades (unforecastable) and on interest rates at the very date of retirement (anybody's guess). Money purchase schemes produce princes and paupers, but the individual cannot know which he will be until he retires, by which time it will be too late to do anything about it.

Final salary schemes have strengths and weaknesses. The latter can be removed if the next government acts in the spirit of the social security select committee's recent report. Those people fortunate enough to be members of final salary schemes can plan their retirement knowing what at least part of their retirement income will be in relation to prices at the time, ie what it will be in "real terms". That is something money purchase schemes cannot do.

Money purchase schemes have already been discredited once as the result of inflation from the 1960s onwards. Does society have to learn that lesson all over again?

V J Chambers,
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A point about the HIV virus

From Mr Stephen T Meldrum.

Sir, Dominic Lawson underestimates the incidence of the HIV virus ("Sex and the single company", March 14). 0.04 per cent is 1 in 2,500 (not 1 in 4,000) and 0.016 per cent is 1 in 6,250 (not 1 in 16,000). By Mr Lawson's maths the more precision in the percentage the less the likelihood. A few more decimal places would make the HIV virus a mere curiosity.

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FINANCIAL TIMES
Wednesday March 18 1992

EC airlines may be free to set their own fares by the beginning of 1993

Deal close on 'open skies' in Europe

By Paul Betts, Aerospace Correspondent, in London

EUROPEAN airlines could be free to set their own fares from the beginning of next year as a result of proposals being considered by European Community governments.

Mr Karel van Miert, EC transport commissioner, said in London yesterday that there were signs that a majority of EC governments favoured swifter liberalisation of air transport. This would include freedom for airlines to fix fares and the introduction of cabotage – enabling an airline from one EC country to operate domestic flights in another member state.

EC transport ministers will consider the third stage in the Community's air transport programme at a meeting in Brussels next week.

That meeting would not take a final decision on the third package of liberalisation measures but agreement is expected in June, Mr van Miert said. This would clear the way for "open skies" in Europe from the start of next year.

Mr van Miert said he had been pleasantly surprised by the progress and degree of consensus among EC governments.

Agreement to allow airlines freedom to fix their fares would represent an important breakthrough. But the Commission would retain powers to ensure airlines did not abuse any dominant position or attempt to drive out weaker competitors through predatory pricing.

Under the current system, scheduled air fares in Europe are governed by the "double disapproval" system whereby an airline can be prevented from introducing a new fare between two EC countries if the governments of both countries oppose it.

Mr van Miert suggested that a system of "consecutive cabotage" as a first step towards full cabotage could start as early as next year. "This would enable an airline like British Airways to fly from London to Paris and then on to Nice or some other place in France picking up passengers in Paris," he said.

Agreement also appears to have been reached on the criteria for licensing airlines in Europe. An airline could be established anywhere in the Community as long as it was 51 per cent owned by EC citizens.

But Mr van Miert acknowledged the larger EC carriers were unhappy with the Commission's proposals to set up a system of allocating take-off and landing times or "slots" at busy European airports to give access to new entrants and smaller airlines.

There were also difficulties in reaching the necessary balance on a policy for airline mergers and partnerships to ensure that European airlines could expand to compete against large foreign carriers by forging cross-border links while also obeying existing competition rules.

● Transport ministers from 28 European countries yesterday agreed to help east European countries upgrade their air traffic control systems and improve air links with western Europe. The move is part of the effort to harmonise and integrate Europe's fragmented and inefficient air traffic control network.

Rivalry set aside as white South Africans vote

By Patti Waldmeir in Cape Town and Michael Holman in Johannesburg

OUTSIDE the Jan van Riebeeck school polling station in Cape Town yesterday, the consensus was almost unanimous: everyone in the 100-metre queue planned to vote "yes" in South Africa's make-or-break referendum – or if not, they were keeping quiet.

Long queues were reported at polling booths in towns and cities around the country, as whites waited to cast their votes in the most important poll in the country's history.

For a day at least, the intense rivalry of the campaign was set aside. Some polling stations, festooned with colourful posters, had an almost festive air. Party officials on duty, *Conservatives and reformists* alike, carefully tended their portable *braaivleis* (barbecues), enjoying a ritual that transcends party politics.

The day passed without serious incident. The violence that has wracked townships in the three weeks since President F.W. de Klerk called the referendum abated yesterday.

By 9am, hundreds of voters from the comfortable Cape Town suburb of Gardens had passed through the school gates, clearly sharing a sense of the momentousness of the occasion. Voter after voter – *clad in suit and tie for the* office, or dressed for a day spent in Cape Town's fashionable shops – proclaimed that there was only one choice in the referendum: "yes, of course." Yes for peace, yes for prosperity, yes for international sport and investment.

A well-dressed blonde woman spoke for many when she declared: "If it's a 'no' vote, I'll become a terrorist," in a voice which betrayed the excitement shown on the faces of many in the queue.

Given the relatively liberal politics of Cape Town – worlds away from the harsh *racist attitudes prevalent else*where – a majority "yes" vote from Gardens would be scarcely surprising. Most voters said they did not expect their lives to change much if they voted "yes" for power-sharing with blacks.

Outside the City Hall polling station in Durbanville, just outside Cape Town, one voter put it this way: "A 'yes' vote won't make any difference at all to my life. But a 'no' vote would be disaster!" Asked whether "yes" meant he would accept a black man as president of South Africa, the same voter *hesitated for several sec*onds, looking around for a way to escape the question, before conceding: "Well, maybe in a few years' time.

Voters in neighbouring Kraaifontein, a blue-collar suburb which is expected to vote resoundingly "no", have a more immediate worry: squatters. Mr Frank Kratz, a former white settler in South West Africa, now Namibia, insisted that this town of modest homes on tiny plots is surrounded by 50,000 squatters. "Kraaifontein knows that the new South Africa means squat*ters. And they are voting no*".

On the edge of Kraaifontein, the squatters who have so upset Mr Kratz and his neighbours sit outside hovels made of tin and packing cases, plastic and cardboard.

A local resident says he wanted whites to vote "yes". "If they vote yes, then maybe we will get jobs, and they will do something about this place." Even so, he seemed far from persuaded.

Budget options, Page 4

The Queen Mother, who will be 92 in August, joins troops of the Irish Guards in Berlin where she made the traditional St Patrick's Day presentation of sprigs of shamrock

Labour 5 points ahead in UK polls

TWO opinion polls giving Britain's opposition Labour party a five-point lead over the Conservatives yesterday gave new intensity to the election battle over the economy and tax as the two main parties prepared to launch their rival manifestos for the April 9 election, write Philip Stephens and Ivo Dawnay in London.

In the first full day of his campaigning around the UK, Mr John Major, prime minister, repeatedly attacked Labour for its "vindictive" plans to increase sharply the tax burden on those earning more than £22,000 ($37,400). But Mr Neil Kinnock, the Labour leader, seized on official figures showing another fall in manufacturing output to accuse the government of "appalling" economic management.

Mr Kinnock claimed that his party had taken the initiative with the publication on Monday of a tax and benefit package which he said would boost the income of 80 per cent of voters. His optimism was reinforced by an opinion poll carried out yesterday, which put Labour on 43 per cent and the Conservatives on 38 per cent, with the Liberal Democrats on 16 per cent. The same levels of support are shown in another poll carried out before the publication of the Labour tax package.

Conservative strategists sought to brush off the results, pointing to similar surveys at the start of the week giving Mr Major the lead. But the latest snapshots of opinion will significantly boost Labour morale.

Mr Major will today seek to give renewed momentum to his campaign with the launch of a manifesto designed to link his party's free-market economics with a much stronger commitment to improved public services. Senior ministers said the manifesto would set out a decisive shift in the Conservatives' agenda for the 1990s, emphasising the break with Mrs Margaret Thatcher, the former prime minister, over a range of policies.

Senior ministers said the Whitehall changes involved the creation of a new cabinet post to oversee the implementation of the Citizen's Charter. The charter would be at the centre of his programme to provide better, more responsive public services. The reforms would also involve a move to strengthen the Department of Trade and Industry, which would take over most of *the responsibilities of the pres*ent Energy Department.

Election '92 reports, Pages 8-9;
Fall in output, Page 10;
Aid as vote winner, Page 15

Proposal to save Gatt

Continued from page 1

would protect the European agricultural market from a flood of US cereal substitutes – primarily corn gluten feed, citrus pellets and tapioca – once EC reform starts to reduce home-based production.

German officials believe that if the US compromises on that question, EC resistance, above all in France, to quantity *restrictions on European* exports would fade away.

German officials have welcomed the intervention of Mr James Baker, the US secretary of state, in the negotiations. It is understood that Mr Baker proposed in Brussels last week a "safe box" system to allow future income support for EC farmers to be maintained over an extended period.

Germany recognises that the issue remains acutely political, both in the US and in France. However, Mr Kohl remains grimly optimistic about the chances of a deal, even by the current Easter deadline.

These difficulties were highlighted yesterday when the US Farm Bureau, the most influential private sector farm adviser to the Bush administration, said it would refuse to accept any deal which would require the US to freeze its farm exports into the Community.

Soviet power fails to rekindle support

By John Lloyd in Moscow

THE most serious efforts to resurrect the spirit and institutions of the Soviet Union since its collapse at the end of last year passed yesterday in an atmosphere of part farce, part bombast, part genuine emotion – but with little sign that those now calling for a restoration of Soviet power have widespread support.

A meeting yesterday evening in Manezh Square in central Moscow attracted some 25,000-30,000 people, a large demonstration by past standards of Communist-dominated protests but much smaller than had been expected following the organisers' intense efforts to turn out strong support.

Calls for "unity" and "fairness, patriotism and a national spirit", and that "the Soviet Union lives" were enthusiastically answered by thousands. But speeches were brief and many fell flat.

Earlier, an extraordinary session of the Sixth Congress of Peoples' Deputies of the USSR, which had been formally dissolved last year, was held by the 200-odd deputies who turned up in the Palace of Culture in the small agricultural town of Voronovo, 60km south of Moscow. They had again been unable to have the use of the council chamber of the nearby city of Podolsk or a sports complex in the country.

The putative rulers of the Soviet Union, having found the Voronovo Palace of Culture, then began a meeting lasting less than an hour having lost most of Moscow's domestic and foreign press, which had been directed to the sports complex.

They elected a 15-strong presidium headed by Mrs Sazhi Umalatova, a deputy from Chechen Ingushetia, and containing such figures as Colonel Victor Alksnis, General Albert Makashov, a former contender for the Russian presidency, and Mr Roy Medvedev, a one-time dissident who has remained attached to socialism. Gen Makashov was proposed as a future USSR president.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	62	Belgrade	C	7	45	Cape Town	S	25	77	Edinburgh	C	12	54	Inverness	[illegible]	12	54
Algiers	S	20	68	Berlin	R	5	41	Caracas	C	31	88	Faro	S	20	68	Islamabad	F	26	79
Amsterdam	C	12	54	Biarritz	[illegible]	14	57	Casablanca	S	18	64	Florence	S	15	59	Istanbul	Sl	3	37
Athens	C	9	48	Bombay	S	31	88	Chicago	F	4	39	Frankfurt	C	9	48	Jakarta	R	32	90
Bahrain	F	15	54	Bordeaux	S	15	59	Cologne	Dr	7	45	Geneva	S	9	48	Jersey	F	10	50
Bangkok	F	34	93	Boulogne	S	11	52	Copenhagen	[illegible]	4	39	Gibraltar	S	18	64	Johannesburg	F	26	79
Barcelona	S	15	59	Brussels	C	10	50	Corfu	F	12	54	Glasgow	[illegible]	10	50	Lima	F	29	84
Beijing	S	7	45	Budapest	S	8	46	Dallas	[illegible]	16	61	Helsinki	F	3	37	Lisbon	S	17	63
Beirut		–	–	Buenos Aires	F	27	80	Dublin	C	12	54	Hong Kong	F	21	70	London	F	12	54
Belfast	F	11	52	Cairo	F	24	75	Dubrovnik		–	–	Innsbruck	C	5	41	Los Angeles	S	12	54

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Luxembourg	C	7	45	Miami	S	13	55	Nice	S	16	61	Salzburg	S	7	45	Tenerife	S	21	70
Madeira	C	17	63	Milan	S	13	55	Nicosia	F	17	63	San Francisco	S	11	52	Tokyo	C	5	41
Madrid	S	18	64	Montreal	Sn	-3	27	Oporto	F	14	57	Seoul	F	8	46	Toronto	C	1	34
Majorca	[illegible]	18	64	Moscow	S	2	36	Oslo	S	8	46	Singapore	S	27	81	Tunis	F	18	64
Malaga	S	18	64	Munich	C	6	43	Paris	C	11	52	Stockholm	C	0	32	Valencia	[illegible]	18	64
Malta	F	16	61	Nairobi		–	–	Prague	F	5	41	Strasbourg	[illegible]	10	50	Venice	S	11	52
Manchester	C	11	52	Naples	S	12	54	Reykjavik	F	4	39	Sydney	C	22	72	Vienna	F	5	[illegible]
Manila	F	35	95	Nassau	F	27	80	Rhodes	R	12	[illegible]	Taipei	C	21	70	Warsaw	S	5	41
Melbourne	C	17	63	New Delhi	S	26	79	Rio de Janeiro	F	36	97	Tangier	F	17	63	Washington	C	1	34
Mexico City	F	27	80	New York	S	0	32	Rome	S	15	59	Tel Aviv		–	–	Zurich	[illegible]	7	45

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

A joint account for Midland

The Hongkong Bank's Mr William Purves has a canny sense of timing. With Midland Bank's profits finally poised to recover and his own bank's share price riding high after last week's 83 per cent jump in earnings, it was now or never for a merger. Even after yesterday's 30 per cent leap in Midland's share price, there is still an opportunity for HSBC, as the holding company is called, to pick up a bargain. The risk to the UK clearer's shareholders is that, after a five-year wait, their management will be in such a rush it will sell the bank on the cheap.

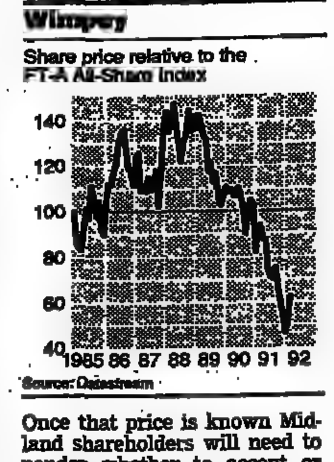
Midland's depressed profits and shrunken dividend make its shares difficult to value on any normal yield or earnings basis. By last night, however, they were still at a premium of only 22 per cent to net assets, even after adjusting the latter for the property devaluation not incorporated in the 1991 balance sheet. The present price barely discounts the prospect that, on its own, Midland could expect earnings per share of some 60p by 1994.

Shareholders could reasonably demand a larger premium from HSBC. It is likely to make a paper offer with scarcely a glint of cash. Acceptance would add to Midland shareholders' risk by exposing them to the volatile climate in Hong Kong, where the combined entity would have nearly a quarter of its assets. The Hongkong Bank's results may have sparkled last year, but that reflected wide margins in the territory's local banking market which are unlikely to be repeated. Nor is disclosure of its hidden reserves guaranteed to help.

The challenge for Mr Purves is to pitch the price high enough to lure Midland shareholders without upsetting existing HSBC owners. It is not as if he can claim large immediate cost savings, though Midland could benefit from HSBC's retail banking technology. The complementarity of the two groups is almost certainly an exaggerated advantage. It could generate some additional business, though how much is open to question. Nor is it easy to forget HSBC's dismal record at overseas diversification, epitomised in Marine Midland and Australia.

HSBC's need to hedge its risks before 1997 means it needs Midland Bank much more than the UK clearer now needs it. One has to assume yesterday's announcement signals confidence that the regulatory hurdles can soon be overcome and a price agreed.

FT-SE Index: 2,491.2 (+20.5)



Source: Datastream

Once that price is known Midland shareholders will need to ponder whether to accept or sell in the market and switch to a bank whose recovery is not yet fully discounted.

US economy

The latest evidence of US economic recovery is not as decisive as Mr Bush would like at this stage of the election process. Housing starts began to pick up in the fourth quarter of last year, so the further improvement in February, although welcome, is of limited value until there are additional signs that consumer confidence is recovering. Hence yesterday's reversal of an over-hasty jump in Treasury bond yields. All the same, the trend is worrying for Wall Street. At their present high levels, the last thing US equities need is a bond market in which yields rise every time recovery moves a little closer.

Wimpey

Wimpey's dividend decision was always going to be one of the closest calls of the current reporting season. In the end, shareholders can probably thank Wessex Water for the maintained payout, though the disposal of Wimpey's waste management business for what now looks like a fancy price was just one element of last year's extensive balance sheet repairs. In rejecting a dividend cut, the board may also have been conscious of the commercial advantages to be gained from the contrast with weaker competitors.

For all the plaudits rightly heaped on chief executive Joe Dwyer, it would not do to swallow the claim that Wimpey has ridden the current recession without scars. There are certainly scratches. A mere 7 per cent fall in group net assets, for instance, is undeniably impressive given the apparent thoroughness of the provisions, but the reduction would have been greater without the handy £45m revaluation surplus on group owned and used properties. There will also be a £13m gap in next year's profits from businesses which have been sold.

More pertinent for investors is how Wimpey exploits its newly restored financial health to recapture the art of earnings growth. Housebuilding hardly looks exciting for a volume player these days, a view implicit in Wimpey's indication that this activity should be self-financing. Contracting may labour under a Channel Tunnel cloud for a couple of years, while the scope for adding to minerals is not limitless. At 147p the shares are underpinned by a 9.5 per cent yield. Wimpey will have to prove that resumed dividend growth is not just a distant dream before they go much higher.

Isosceles

There was a touch of desperation about yesterday's announcement from Isosceles that its Herman's and Wellworth chains are up for sale. The group has long wanted to reduce its debt, although there is no formal requirement to do so until next year. Perhaps its bankers are nervous. Selling Wellworth, perhaps by a trade sale or management buy-out rather than the suggested flotation, might bring in £150m. That looks mean given that Northern Ireland's leading food and mixed retailer made £17.7m pre-tax profit last year, but buyers have to consider the unique location.

As for Herman's, it looks increasingly as if Isosceles was wrong not to go for an immediate fire-sale in 1989. While the sporting goods chain has been improved and is apparently now profitable at the operating level, the market for US retailing assets has crashed. Herman's book value was £194m at the end of Isosceles' last financial year, but whether it will fetch that is an open question.

In theory, paring its operations down to mainland UK food retailing ought to enhance the attractions of a flotation. The problem is that there is no end in sight to Gateway's suffering in the high street, and the Food Giant and Somerfield shops are far from established. Investors might indeed find Isosceles easier to understand. The danger is they will understand it all too well.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 18 1992

INSIDE

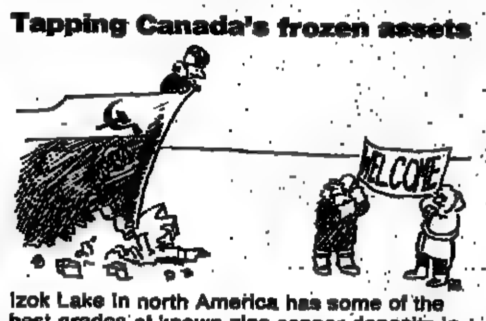
Four Seasons enters hotels joint venture

Canada's Four Seasons Hotels will become the world's largest operator of luxury hotels under an agreement with the Japanese parent of the Regent International chain. EIE International, the financially troubled Japanese developer, will transfer management of five Regent hotels, including those in New York and Milan, to Four Seasons and take an 80 per cent stake in the joint venture. Page 25

Dow chosen by Czechs

Dow Europe, the European arm of the second biggest US chemicals group, has been chosen by the Czechoslovak government to acquire a 36 per cent stake in a chemical factory for $25m – the largest US investment in Czechoslovakia so far. Dow has pledged to invest a further $154m in the joint venture over the next seven years. Page 20

Tapping Canada's frozen assets



Izok Lake in north America has some of the best grades of known zinc-copper deposits in the world. But its location, in the frozen wastes of the Arctic Circle in Canada's Northwest Territories, has held back development for about 20 years. However, the availability of Russian ice-breaking ships, the biggest in the world, has changed the outlook for Izok Lake. Page 28

Bad news dogs Oslo equities

Norway's equities are being plagued by bad news in the banking sector, weaker 1991 earnings by blue-chip industrials, low tanker rates suffered by shipping companies and confusion over takeover battles in the insurance sector. Back Page

Papers and profits

The US newspaper industry is showing signs of recovery, with prospects for a strengthening of profitability towards the second half of 1992, according to a report from Standard & Poor's, the credit-rating agency. Page 25

Tense time for Japan's banks

The Nikkei index's fall below 20,000 on Monday gave many financial executives a sleepless night as they worked out the impact on their companies. But for few were the calculations so nerve-wracking as for Japanese bankers. The banks' main concern is the effect of falling share prices on their capital reserves. Page 24

Graseby rises to £10m

Graseby, the UK medical products and controls group, yesterday reported profits up a third to £10.3m ($17.7m) mainly because of the contribution of Tace and Goring Kerr, which it acquired during the year. Page 28

Opec urged to cut output

The oil price remains depressed as Opec nations fail to push through production cuts agreed a month ago. Market observers say the prices could stick or even slide further unless Opec acts decisively. Page 28

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Canal +	1108	+	25
Rises				EBF	888	+	43
Aachen Mch	895	+	20	SILIC	595	+	15
Asko	745	+	12	Sagem	1778	+	33
Hapag Lloyd	545	+	10	**Falls**			
Rheinmetall	295	+	7.5	Gaumont	642	–	28
Rosenthal	299	+	18	**TOKYO (Yen)**			
Falls				**Rises**			
Lahmeyer	810	–	10	Wakamoto			
NEW YORK ($)				Pharm	780	+	59
Rises				**Falls**			
Chrysler	18	+	¾	Hokkaido Bank	506	–	59
Dell	38¼	+	2¼	Nohmi Bosai	1000	–	110
Fed Express	55¼	+	2	Sony Chem	1310	–	140
Singer	23⅞	+	2	Tokyo Rak	700	–	80
US Shoe	16⅞	+	2⅜	Towa Meccs	311	–	32
Falls							
Lotus Dev	37	–	1⅛				
PARIS (FFr)							
Rises							
Alcatel	605	+	11				
LONDON (Pence)				Taylor Woodrow	116	+	5
Rises				Vickers	162	+	8
Celestion	33	+	3	Wimpey (Geo)	147	+	16
Christies Intl	122	+	7	**Falls**			
Dowty	115	+	7	Colorgraphic	47	–	5
Fisons	368	+	10½	Goal Petrm	41	–	3
Kewill Systs	148	+	11	Green (Ernest)	99	–	21
Lonrho	99	+	14	Scott Cowells	1¾	–	3¼
MTM	97	+	13	Shield	4	–	4
Midland Bank	329	+	76	WPP	58	–	12
Peck	62	+	3	Wilkes (J)	152	–	11
RHM	220	+	9				
Rentokil	365	+	14				
TSB	131½	+	5½				

US parcels delivery service unveils retrenchment from loss-making operations

Federal Express retreats from Europe

By **Nikki Tait** in New York and **Richard Gourlay** in London

FEDERAL Express, the largest US express package delivery company, yesterday unveiled details of a big retrenchment in its loss-making European operations.

The Memphis-based company said it would discontinue all its intra-European express services, and concentrate instead on providing a direct intercontinental service between 16 European cities and the US.

As part of the overhaul, the US group will sell much of its remaining UK business to Securicor Omega Express, Britain's largest independent carrier of overnight parcels. Securicor Omega will increase its workforce by 400 as a result.

Securicor will also act as a subcontractor for Federal's international package business, to and from UK locations no longer served by the US carrier.

The move represents a significant retreat by Federal Express which devoted the latter half of the 1980s to aggressive international expansion, but faced mounting losses from its international operations in recent years.

Like many other express package carriers, Federal Express had banked on a rapid expansion of the European express package delivery market, partly from "1992" harmonisation moves. However, executives calculated yesterday that the intra-European express package market was around 100,000 a day, compared with 2m-3m within the US.

Executives admitted yesterday there were problems integrating its air-based intercontinental and US delivery systems with the predominantly "ground-based" intra-European operations, and said it overestimated the possible cost savings.

Federal Express has also faced tough competition from Brussels-based DHL Worldwide Express, which is arguably better-known in Europe and more used to dealing with European language and customs requirements.

In a separate agreement, Federal Express said that it had arranged for TNT Express Worldwide, the Australian delivery company, to provide a similar sub-contractor service for inbound deliveries from the US to 10 other European countries – mainly Scandinavia and the smaller Mediterranean countries.

Financial details of the sale and subcontractor agreements were not disclosed. Federal Express said it expected to announced further subcontractor arrangements for the French, German and Italian markets during the "next few days". The 16 cities it will continue to serve directly include London, Paris, Brussels, Amsterdam, Zurich, and six in Germany.

The retrenchment will account for much of a $254m charge to operating expenses in its third quarter for February 29.

Federal Express's results showed a total operating loss (after this charge) of $250.6m for the period, and an after-tax deficit of $193.4m. The international division made an operating loss of $125.5m before charges during the three months – up from $70.6m a year earlier – on revenues of $602.1m.

The company declined to say how much of this related to the operations it will now cease operating.

Shares in Federal Express, rumoured to be in talks with TNT over its European operations for months, gained $2 to close at $55¼ yesterday with analysts divided over whether Federal Express had taken sufficient action to address its international problems.

A Federal Express spokesman in the UK said the company would concentrate on its strengths which was to provide an intercontinental express parcel service out of Europe.

TNT deal, Page 25

Carlo De Benedetti

Sogefi sells car parts stake for L120bn

By **Haig Simonian** in Milan

SOGEFI, the stock market-quoted vehicle components group controlled by Mr Carlo De Benedetti's Cir holding company, has sold its 47.97 per cent stake in Boge, the German car parts group, to Mannesmann for L120bn ($95m).

Sogefi, which is 60 per cent owned by Cir, bought an initial 25 per cent stake in Boge in 1989, and raised its holding in stages to the present level.

Boge, which has sales of around DM750m ($450m), specialises in shock absorbers and suspension systems for vehicles, and is a European leader in research into electronic suspensions.

The sale, which will give Sogefi an extraordinary gain of around L19bn, means Mannesmann now owns virtually all the shares in Boge, having bought out VDO and Commerzbank, the two main German shareholders, last August. Mannesmann then went on to buy VDO, the vehicle electronics group, last October.

Mannesmann's arrival on the scene ended any ambitions Sogefi may cherished of eventually gaining control of Boge, and some members Boge's management had voiced misgivings about its intentions.

Sogefi is already active in shock absorber production through Rejna, an Italian company it bought in 1986. Shortly afterwards, it consolidated its European position by buying shock absorber makers in France and Belgium.

A Cir official denied yesterday that Sogefi had ever nursed plans to take over Boge, saying that such a move would have been blocked by the German cartel authorities.

Sogefi, which has grown rapidly in recent years through a string of acquisitions, specialises in vehicle filters and suspension systems.

Sogefi said the sale to Mannesmann could be followed by co-operation in distributing spare parts for cars in Europe and in developing integrated sub-systems. Sales for Sogefi group rose almost 9 per cent to L620bn while net profits were L22.6bn in 1990, the last year for which figures are available.

● Volkswagen plans to cut sales and marketing staff by 25 per cent, or around 300 people, in the US due to weak sales.

"Sales have clearly have been difficult and we need to look at the company and see how we can reduce costs and remain competitive," the company said.

Jane Fuller explains one of the more contentious trends in the current company results season

Uncovered dividend retains its hold

THE decision of George Wimpey, the UK construction group, to maintain its final dividend without the earnings to pay for it, has confirmed one of the more contentious trends of this results season.

Wimpey yesterday announced its first pre-tax loss for at least half a century, yet maintained its total dividend payment for last year at 10.50p.

T&N, the motor components and engineering group, epitomised the dogged mood of companies last week by holding its uncovered dividend, even though the stock market had been braced for a cut.

Mr Colin Hope, its chairman and chief executive, said that to do other than maintain "would have been totally incorrect". Shareholders, who last year supported a fourth rights issue in five years, deserved to be rewarded for their loyalty.

In paying an uncovered dividend, T&N was following in the footsteps of several other engineering concerns – Glynwed, Rolls-Royce, GKN and BICC.

And yet before the results season started, the case for dividend cuts was stronger than at any time in the past decade. Balance sheets had been stretched, cash conservation was a priority and there was, and still is, no economic upturn to back up a message of confidence.

Companies could have cited exhortations to be prudent from many analysts and commentators, not to mention the governor of the Bank of England. Even Mr Paddy Linaker, chief executive of the M&G fund management group, often depicted as a hard-line advocate of dividend maintenance, had softened his stance.

In a recession that "has been worse than most of us thought likely", he said, "we are not suggesting that companies should irresponsibly maintain their distribution".

Mr Paul Myners, chairman of Gartmore Investment Management, has said that the long-term interests of shareholders are not served "if maintaining the dividend starves the company of important investment".

But in spite of all the sympathetic noises, the market has with very few exceptions applauded dividend maintenance by marking shares up.

On this basis, the decisions to maintain have been right and individual companies have not been short of explanations.

First of all, as Mr Hope said, there is the obligation to shareholders. M&G is one of T&N's shareholders and, in spite of the softer tone, its fundamental line is that the importance of dividend income to investors is "blindingly obvious".

None of the companies mentioned has raised its dividend by more than 0.7p since the 1989 payment, so there has already been a real fall. To try investor patience further would risk souring a possible source of funds for the recovery.

A second important factor in the dividend equation is that the amount paid is comparatively small.

Take GKN, the UK motor components and industrial services group: the total bill of £51.8m ($91m) is minuscule compared with turnover of £2.43bn. The £14.9m from reserves reduced shareholders' funds by less than 2 per cent and is only a 10th of the amount transferred the other way in the happy years of 1987-89.

Dividend growth could be pushed back into 1994, or later

Third, the company needs to have the cash available to make the payment.

At GKN, a cash inflow helped to reduce net debt by £45m to £175m and gearing fell to a 15-year low of 26.4 per cent. Bulges in spending on capital equipment and reorganisation were largely over. Those two items cost GKN about £110m less last year than in 1990.

In other words, it could afford to pay.

T&N had strengthened its financial position with the help of rights issue cash. Wimpey had reduced debt by £99m with the help of property and business disposals.

While institutional wishes and affordability explain many of the one-off decisions to maintain, there is also a longer-term theme that ought to justify companies' actions. In the good years, the theory goes, dividends need not be increased in line with earnings; and in the bad years, they need not track them into the abyss.

The yield then provides a nice support when the share price is hit by poor results. All the companies in the chart have underperformed the FT-Actuaries All-share since the October 1987 crash.

But it is on the point of ironing out the peaks and troughs that some of the arguments begin to unravel. The chart shows the smoothing out process at work in previous recessions. Cushions had been created through dividend rises failing to keep pace with earnings.

But after 1982, dividends kept tracking earnings upwards, as well as outstripping inflation. The failure of dividends to respond to the fall-off in earnings since 1989 is pronounced.

With the market yielding more than the inflation rate and the gap between its yield and that of gilt-edged stock historically narrow, the question is: are dividends too high?

The answer is yes in some cases. Mr Myners, at GIM, says that some companies have become locked into an excessive level of distribution and should reduce the payment to a level from which it can grow.

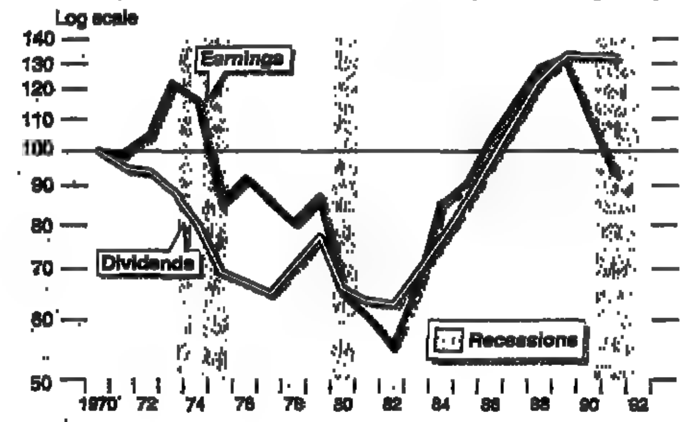
And the background for resumed earnings growth may be less propitious than after the last recession. Mr Nick Knight, at Nomura Securities, said: "Post ERM, companies will have less currency depreciation and less price inflation to push up earnings," while slow growth could be truncated by an increase in interest rates. But whatever the rate of recovery, the fundamental ingredient in the dividend equation – cash –, could be in shorter supply on the way out of recession.

Cuts in capital spending and work in progress have helped to fund uncovered dividends, but working capital will come under strain as demand picks up. With banks in a mood of high caution, companies' internal resources will become all the more important.

This will put uncovered, or thinly-covered, dividends under pressure for some time to come. Even if maintenance retains its hold, the date for renewed dividend growth could be pushed back into 1994, or later.

Wimpey results, Page 20

Earnings and dividends in real terms (deflated by RPI)



Share price performance

	Black Monday Oct 1987 (pence)	Mar 17, 1992 Opening price (pence)	Actual % change	% change relative to FT-A All-Share Index
GKN	374	344	-8.00	-17.40
BICC	374	325	-13.10	-21.96
Rolls-Royce	182	146	-19.78	-27.96
Glynwed	358	225	-37.15	-43.56
T & N	203	115	-43.39	-49.15
Wimpey (George)	253	131	-48.22	-53.50

Isosceles plans US, Ulster disposals

By **Maggie Urry** in London

ISOSCELES, the Gateway food retail group formed through a £2bn ($3.4bn) leveraged buy-out in 1989, yesterday said it would float Wellworth, its Northern Ireland supermarket chain, on the stock market, and sell Herman's, its US sporting goods chain, this year.

The two disposals would help prepare Isosceles for a stock market flotation allowing shareholders to realise their investment.

Mr Alistair Mitchell-Innes, chief executive, said Isosceles would concentrate on expanding the mainland UK food business, particularly two new formats, Somerfield and Food Giant.

Analysts suggested that the announcement reflected the poor financial position of Isosceles. Mr Mitchell-Innes said the next repayment of debt was not until April 1993, when £100m was due, and Isosceles was "not desperate for cash".

Isosceles, which has debt of around £1.3bn, had hoped to sell assets earlier to pay down the debt. But recession and the slump in values of retail businesses meant that disposals could not be made at sufficiently high prices.

In 1990 Isosceles refinanced its debt to take account of its inability to sell assets, notably Herman's. Last year, Mr David Smith, who masterminded the buy-out, and Ms Elizabeth Hignell, the finance director, left Isosceles.

Herman's, which has been losing money, has been shown as an asset held for disposal in Isosceles' accounts and its value was written down in the last balance sheet to £194m. Mr Mitchell-Innes said that although Herman's had been for sale for some time, the group would now actively market it.

He said there were some signs of a pick-up in the US retail market but he could not say whether Herman's would fetch its book value.

Wellworth is regarded as a successful business and made operating profits in Isosceles' last financial year, to end April 1991, of £17.7m. Analysts said it could be valued at up to £150m on a flotation, although yesterday's announcement might flush out a trade buyer.

Advisers to the disposals are S.G. Warburg, the UK merchant bank, and Wasserstein Perella, the US buy-out specialists. Wasserstein, a rival bidder to Isosceles for Gateway, is now a 40 per cent shareholder in Isosceles.

Lex, Page 16

HONGKONG & SHANGHAI BANK/MIDLAND BANK

Local bank with overseas growth ambitions

By Angus Foster

HONGKONG Bank's proposed merger with Midland casts another shadow over the Hong Kong unit's long term future at a time when the outlook for its other overseas acquisitions has started to improve.

Despite the bank's international ambitions, it remains closely linked to Hong Kong. Founded by merchants to finance trade on the South China Sea, the bank still earns the bulk of its income from the colony, where it and its Hang Seng Bank subsidiary control more than 30 per cent of the mortgage market and benefit from guaranteed profitable spreads from the colony's interest rate cartel.

Last week HSBC Holdings, the London holding company for the bank's worldwide assets, announced a 83 per cent increase in profits after tax to HK$5.66bn (£424m) for 1991. Most of the increase was due to lower losses in its US and Australian operations, which added more than $2.2bn.

Although the bank does not disclose earnings from Hong Kong, analysts suspect as much as $5bn of total group profits of $6.8bn stemmed from the colony.

In the 1980s the bank used its strong Hong Kong earnings to finance expansion into the industrialised world. It bought Marine Midland in the US and started the Hongkong Bank of Australia. Partly because of unfortunate timing, but mainly due to insufficient management, these overseas arms performed disastrously in 1990 and 1991. Last year Marine Midland lost $189.9m (£108m) despite two years of cost cutting and reduced loan portfolios. More damaging still, Hongkong Bank was forced to pump in $200m of extra capital to preserve Marine Midland's capital ratios in 1990.

Hongkong Bank's problems with its overseas ventures stemmed from the style and structure of its management. Like many other Hong Kong companies, it lacks depth in management and prefers a lean head office. Overseas subsidiaries were initially given considerable autonomy.

The result was that when the overseas businesses ran into trouble with recession and bad loans, the bank lacked the spare senior management necessary. One indirect consequence was the calling off in December 1990 of merger talks with Midland.

Analysts believe the worst is over. Mr John Mulcahy, director of research at Peregrine Securities, estimates Marine Midland will return to profit this year and make about $70m. Before the Midland announcement, he estimated the whole Hongkong Bank group would make about HK$9.4bn pre-tax this year, an increase of 38 per cent.

Despite all its foreign troubles, the bank is still believed to hold about HK$20bn in inner reserves. These will probably be revealed in the Midland offer document and could provide a crucial push to Hongkong Bank's share price.

Although Hongkong Bank has had plenty of time to size up Midland, it has not yet decided how it will manage it. The most difficult decision will be whether to risk allowing Midland considerable autonomy, as with Marine Midland.

But even if Hongkong Bank did want to take closer control, it lacks the management. Mr William Purves, chairman, is to retire within the next two years and Mr John Gray, chief executive, is 57 and likely to retire soon.

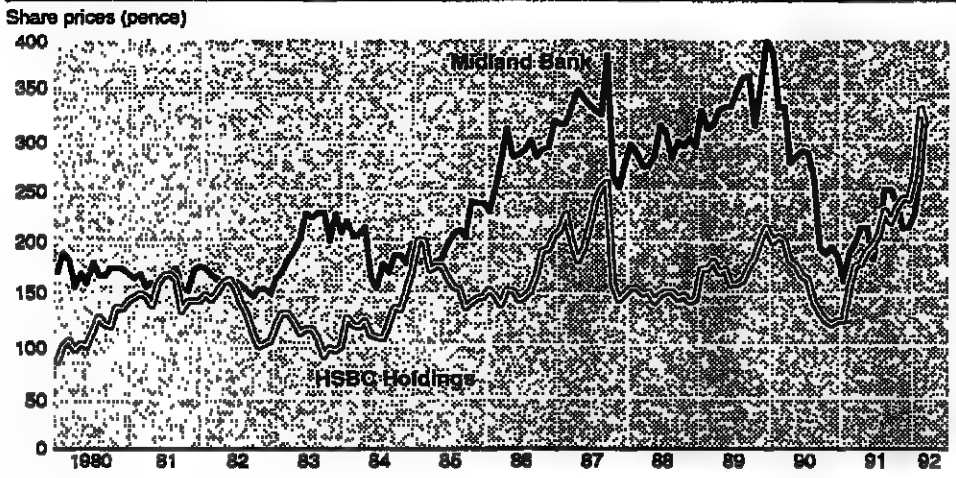
Finally, there is the question of culture clash. The momentum for the initial link up was largely maintained due to the friendship between two individuals, Mr Purves and Sir Kit McMahon, the former Midland chairman.

Otherwise, there is no evidence as yet that Midland will take kindly to Hongkong Bank's essentially colonial view of the world.

TIMETABLE OF EVENTS

Jul 1980	Midland buys Crocker National Bank in US
Oct 1980	Hongkong Bank buys 51% of Marine Midland Banks in US
Apr 1981	Hongkong Bank bids for Royal Bank of Scotland; blocked by UK government
Feb 1986	Midland sells Crocker
Apr 1986	Kit McMahon joins Midland Bank board from Bank of England
Dec 1987	Hongkong Bank buys rest of Marine Midland
Dec 1987	Hongkong Bank pays £383m for 14.9% stake in Midland Bank
Dec 1990	Midland and Hongkong Bank drop merger plans. Hongkong Bank sets up UK holding company
Mar 1991	Sir Kit resigns as Midland chairman; company is first UK bank since the Depression to cut its dividend
Feb 27 1992	Midland reports £38m pre-tax profits for 1991, treble 1990's profits
Mar 10 1992	Hongkong Bank reports 83% increase in 1991 net profits to HK$5.66bn (£424m)

Share prices (pence)



Source: Datastream

City delays verdict after its initial surprise

By David Barchard

NEWS OF Hongkong Bank's bid for Midland Bank took London by surprise. Only a few City voices had any inkling that ideas of a merger had been revived. Fewer still had a clear sense of how it will turn out in practice.

The initial reaction of fund managers and ratings agencies was to remain cautious until more details emerge.

IBCA, the London-based international bank rating agency, said that it had put both banks on credit watch.

"We want to know more details before we make up our minds about this. We need to see the financing of the merger and how they propose to structure it," said one agency's banking analyst yesterday.

He agreed with fund managers who said that the two fundamental facts about the merger were that Midland has staged a fairly convincing recovery and does not need to be taken over, while there is no doubt that Hongkong bank does need to diversify out of Hong Kong ahead of the transfer of its government to China in 1997.

"Midland Bank was probably the best-geared recovery situation in the sector," said the fund manager.

One international banker said Hongkong Bank is in a much stronger position now than in 1987 when a merger was first mooted and can expect less resistance when imposing its will on Midland.

Proposed deal fuels speculation on further mergers

By David Lascelles

IF THE deal goes through it will bring about the greatest change to the structure of UK banking since the merger wave 25 years ago. But will it have a knock-on effect, either by triggering further mergers, or by forcing the banking industry to come to terms with a much strengthened competitor?

Midland's transformation from the perennial banking weakling to a member of a muscular financial group would be bound to have an effect on other banks. Midland would be able to lend more, and invest more heavily in improved services. But the City expects Midland to proceed cautiously, particularly with the UK banking market in its current ravaged state.

Mr Peter Toeman, banking analyst at UBS Phillips & Drew, said he had not downgraded his profit forecasts for the other clearing banks in light of the proposed merger. If anything, he said, the prospect of the merger would put even greater pressure on other banks to reduce their costs and expand their profit margins.

Ironically, the merger could even reduce competitive pressures. Desperate as it has been to regain its market position, Midland has been one of the most aggressive banks recently, and has often been a leader on the price-cutting front. It might not need to push so hard knowing that it had the Hongkong Bank behind it.

As for the prospect of further mergers, banking stocks leapt ahead yesterday on speculation about more bids. But these seem unlikely, at least among the large clearers. The recent row over alleged overpricing and bully-boy tactics by banks in the small business market, and constant rumbles of discontent over their treatment of the private customer have not endeared them to the fair trading authorities. Any proposed bank merger would be guaranteed a monopolies referral.

Speculation about mergers is probably more apt for smaller banks, the Trustee Savings Bank and the Abbey National.

Although the Midland-Hongkong deal has yet to obtain Bank of England approval, the fact that it has even got this far reinforces the message that UK clearing banks are available to overseas bidders. Mr Robin Leigh-Pemberton, the Governor of the Bank of England, has said he thinks that "core banks" should remain under British control. But his policy statement is now five years old, and under the EC single market rules, he could not stop an EC clearer buying a UK clearer purely on the grounds of nationality.

News of the deal could provoke a counterbid, though analysts said yesterday that it was hard to identify any banks that would have the means to top any offer from the Hongkong.

Meanwhile, the Bank of England will want to ensure that any deal safeguards Midland from "contagion" from the Hongkong group should, for example, Hong Kong undergo some China-related crisis.

Few changes planned for the top personnel

MIDLAND and Hongkong are no strangers, writes David Barchard and Angus Foster.

After Hongkong Bank took its original 14.9 per cent stake in Midland in 1987 – amid talk of an eventual merger – some of Midland's operations passed to Hongkong, while others, for example some leasing and trade finance operations, have been run jointly.

For much of the late 1980s there was a quiet contest among senior officials in the two banks over how operations and territory would be shared out after a merger.

Yesterday Hongkong Bank indicated that it intended to keep Midland as a "stand alone" operation, making few changes to its top personnel and retaining its outward presence in the high street largely unchanged.

Mr Brian Pearse, previously finance director at Barclays, will be retained as chief executive. Unlike his immediate predecessor, Sir Kit McMahon, Mr Pearse is able to communicate easily with the rank and file of the bank's branches and his departure now would probably throw branch morale even further into the doldrums.

There seems little doubt that Midland is in for a culture shock.

Hongkong will make sweeping changes inside Midland in the medium and longer term, and operations will be combined where possible, though since they overlap in only a few areas there seems to be little scope for speeding up Midland's drive to cut costs in the UK.

With a stronger capital base, Midland will be better placed to compete with the other three large high street banks than it has been for several years. Its executives enjoy one main asset. They are steeped in the business of UK-style retail and small company banking, an area in which Hongkong Bank has little previous experience

Indeed, to compete in the rapidly-changing banking markets of late 20th century Britain, Hongkong Bank must make some fairly drastic adaptations of its own.

Despite its international ambitions it remains at heart a paternalistic, and very colonial, institution. Junior employees are not allowed to marry before 25, and curry is served for lunch every Thursday. Most of the senior management are British, especially Scottish, and the bank only recently started recruiting graduates.

The chairman of "the Bank", as it is known in Hong Kong, is always invited to sit on the Hong Kong Governor's elite Executive Council, the most powerful decision making body in the colony.

Mr William Purves, chairman since 1986, is a Scot who has continued the international expansion initiated by his predecessor, Sir Michael Sandberg. Mr Purves is due to retire in the next two years, and he now has the chance to complete the final part of the jigsaw, by giving Hongkong Bank a meaningful European presence through the Midland merger.

Not easy to combine investment sides

By Richard Waters

MAKING SENSE of the combined treasury and investment banking activities of Midland and Hongkong Bank will not be easy. Each bank has recently taken steps to rationalise its own operations in these areas, with different results.

Hongkong Bank, for instance, has moved its fixed income business out of James Capel and into the parent bank to sit alongside the treasury activities. Midland, on the other hand, maintains both businesses in Midland Montagu – though it has recently moved most of its corporate banking business out of its investment banking subsidiary into the parent bank, in part as a result of the effect on Midland Montagu's balance sheet of its deteriorating loan book.

These activities are likely to be combined globally, either within a merged parent or at one step removed, as at Midland Montagu.

The banks maintain between them a litter of different brand names, reflecting their piecemeal move into investment banking and their failure to integrate their respective businesses in this area – Midland Montagu, Samuel Montagu and Greenwell on the Midland side, for instance, and James Capel and Wardley on the Hongkong Bank side.

INTERNATIONAL COMPANIES AND FINANCE

Wimpey suffers worst setback with £16.1m loss

By Andrew Taylor, Construction Correspondent, in London

WIMPEY, the large contractor and Britain's second biggest housebuilder, yesterday announced its first pre-tax loss for at least half a century.

The group – after provisions of £46.4m ($81.66m) mostly against UK and US housing land and a separate £12m provision against the Channel tunnel construction contract – made a pre-tax loss of £16.1m. This compared with a pre-tax profit of £43.3m in 1990.

It was the worst setback for the company since it was acquired in the 1920s by Sir Godfrey Mitchell, the founder of the modern-day Wimpey group.

Wimpey's shares, despite the profits decline which had been widely expected, rose 16p yesterday to 147p. The share price has risen by a third since February 12 when it stood at 110p.

The stock market, which has been encouraged by Wimpey's recent success in reducing borrowings through disposals, was further cheered yesterday by its decision to maintain its total dividend payment for last year at 10.50p.

Wimpey had to transfer £53.8m from reserves to cover dividend payments and a £23.5m attributable loss. The company made a loss per share, after exceptional items, of 7.53p. This compared with earnings per share of 8.31p in 1990.

Mr Joe Dwyer, Wimpey chief executive, said that it was the responsibility of companies in cyclical industries, such as construction, to smooth out peaks and troughs and maintain a steady reasonable return to shareholders – provided the balance sheet could afford it and it did not impair future profitability.

Wimpey at the end of last year had reduced net debt by almost £100m to £206.4m. Gearing as a result had fallen from 48 per cent to 35 per cent. Since the summer the group has raised £300m from commercial property sales and the disposal of its waste management and offshore engineering businesses.

The group had identified another £100m of potential disposals.

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Valmet deficit deepens to FM692m

By John Burton in Stockholm

VALMET, the Finnish state-owned paper machinery and engineering group, yesterday reported a pre-tax loss of *FM692m ($152m) against a deficit* of FM290m in 1990, on sales 24 per cent lower at FM7.6bn.

No dividend will be distributed this year. However, Valmet predicts that profitability will improve both in 1992 and 1993 due to restructuring measures.

Last year's operating loss was FM471m. This included a deficit for the tractor division of FM221m due to economic problems in Brazil.

Logging had a loss of FM165m, reflecting the recession in the forestry industry while the paper machinery *division, which accounts for 52* per cent of group sales at FM4.1bn, made an operating profit of FM68m.

● **Effjohn**, the shipping line, yesterday reported a profit after financial items of FM4m against earnings of FM30m in 1990 following heavy investments in several passenger vessels. The dividend is being cut to FM1.20 a share from FM1.50.

The construction of two ferries for its Silja Line service in the Baltic and the building of two cruise ships for the US market increased net financial *costs to FM172m from FM60m* in 1990.

Turnover rose by 17 per cent to FM3.4bn due to increased passenger traffic. The company predicts that the 1992 operating result will be better than the 1991 result of FM363m as the new ships enter service.

However, it gave no forecast for earnings after financial items due to the recession in Finland and the introduction of a new travel tax there.

Belgian cement maker drops 12.4%

By David Buchan in Brussels

CBR, the Belgian cement group, yesterday reported a 12.4 per cent drop in 1991 profits to BFr3.63bn ($105m), but in the light of expansion in North America and Europe announced a BFr20 per share increase in dividend to BFr270.

Profits followed the downturn in Europe and recession in North America, the company explained. However, the volume of its business held up, and because it bought several US companies making ready-mixed concrete and building aggregates, overall group turnover rose last year by 7.2 per cent to BFr46.33bn.

There was, however, a sizeable drop in net profits for Cimenteries CBR, the Belgian parent company, to BFr1.95bn last year compared with BFr4.26bn in 1990, when the company recorded some extraordinary profits from leading subsidiaries.

Cash-flow expanded as the group increased investment in the Tehchapi cement plant in California and expanded its Tilbury plant in British Columbia. It further strengthened its west coast presence by buying ready-mixed concrete and aggregate companies in California, Washington state and Alberta, as well as closer to home in Belgium, Germany and the Netherlands.

Early this year, it took a stake in Mokra, a leading southern Czech cement producer, of which it will gain majority control by the end of 1994.

Noel Goutard: warned of weak automotive market

Earnings at Valeo fall 10% to FFr545m

By William Dawkins in Paris

VALEO, the French maker of car components, yesterday reported a 10 per cent decline in 1991 net profits.

Net income after minority interests fell to FFr545m ($96m) last year from FFr603m in 1990, on turnover down 1.6 *per cent to FFr19.87bn from* FFr20.18bn. Earnings fell to FFr44.2 per share from FFr49.3 over the same period.

Valeo, headed by Noel Goutard, warned that the automotive market remained weak and said it would continue to concentrate on increasing sales, cutting production costs and reducing borrowings.

Net debt fell to FFr2.95bn by the end of last year, from FFr3.5bn at the end of 1990.

Valeo's operating income rose by 30 per cent to FFr878m from FFr676m last year, but the gain was wiped out at the net level by the fact that Valeo had no capital gains from asset sales last year, as against FFr154m of capital gains from divestments in 1990. Including the income due to Valeo before the asset sales took place, Valeo had FFr193m of total revenues from divested operations in 1990.

Turnover started to recover in the second half, by 3.9 per cent over the comparable period in the previous year, after having slipped 6.1 per cent in the first six months of 1991.

Dow Europe to win Czech holding

By Ariane Genillard in Prague

DOW EUROPE, European arm of the second biggest US chemicals group, is to be chosen over Elf Aquitaine of France by the Czech government to acquire a 36 per cent stake in a Czech chemical business, Chemicke Zavody Sokolov.

In what amounts to the largest US investment in Czechoslovakia so far, Dow is paying $25m for its share stake and has pledged to invest a further $154m in the joint venture over the next seven years. Of this, $79m will be spent in the first three years.

Dow will also retain the right to increase its ownership to 94 per cent of the Czech company for a total of $100m. The shares will in the meantime stay in the hands of the Czech National Property Fund.

According to Mr Mark Bakal, head of the USAID team of advisers at the Czech Ministry of Privatisation, Dow will agree to operate the Czech company at full capacity and make it the European acrylic centre of the Dow group. The company may also develop its hydrogen-peroxide and chlorate business in Czechoslovakia, depending on future market studies.

Unlike Elf Aquitaine, which offered a substantial competing bid for the Czech company, this will be Dow's only plant in Europe which implies significant potential for future growth, said Mr Bakal. Dow and Sokolov also have a 15-year long relationship, with management openly in favour of the American group.

Kmart, the US department stores company, is poised to make the first large foreign investment in retail trade in Czechoslovakia, buying six stores in main cities.

It will buy 67 per cent of Maj, a large department store in central Prague, for $9.7m and 97 per cent of five Prior stores in key locations in the country, for $27.8m.

The US company will invest a further $8.3m to revamp both stores and upgrade the products sold there.

This is the second largest US investment in Czechoslovakia after Dow. Last year, Proctor & Gamble acquired a detergent factory for $20m.

Kmart intends to create the first department stores chain in Czechoslovakia selling products with western standards. It also estimates that $15m worth of Czechoslovak products could be exported back to Kmart stores in the US in the first year of the joint venture.

Department stores in Czechoslovakia have been hard hit by the recession since the start of the economic reforms two years ago. The stores Kmart is buying have registered minimal profits following a 31.7 per cent drop in sales for 1991.

Kugelfischer makes DM80m loss

By Andrew Fisher in Frankfurt

KUGELFISCHER, the German bearings company, made a loss of about DM80m ($48m) in 1991 after a profits slump the previous year, and is continuing to cut its labour force in an attempt to lower costs and return to the black.

It said renewed profits could not be expected this year while only 80 per cent capacity was being utilised.

The company, which also makes sewing machine systems, hydraulic brake parts, and other industrial products, said its turnover fell by 3 per cent to DM3.9bn ($2.4bn). Excluding acquisitions in east Germany and the US, however, there was a drop of 9 per cent.

After cutting its labour force by 5,600 people last year (including a 3,450 reduction at DKFL, the east German bearings subsidiary), it plans to shed a further 2,700 in 1992. Of these, around 1,400 jobs will be *lost at the parent company*, which comprises the west German bearings plants. The worldwide labour force was around 35,000 at the year-end.

Kugelfischer said losses totalled about 2 per cent of turnover; this is roughly DM80m, though it gave no figure. In 1990, net profits fell by 42 per cent to DM59m. Not only did it suffer from the impact of recession abroad and reduced demand from the engineering sector for bearings, but the company's sewing machine operation was also hit by problems in the textile industry.

Last year's fall in group orders left Kugelfischer with a backlog of 5.7 months' work, two months less than the year before. However, it expected turnover to stabilise in 1992 now customers seemed to have stopped reducing stocks. Short-time working, affecting about a quarter of the domestic workforce, would continue.

Elektrowatt up 7% to SFr209m

ELEKTROWATT, the diversified electricity generating and industrial group, reported a 7.2 per cent rise in consolidated net income to SFr209m ($138m) in the year to the end of September 1991, writes Ian Rodger in Zurich.

The group's first ever consolidated financial statements showed that sales rose 6.1 per cent to SFr4.5bn. Group equity and reserves totalled SFr2.1bn at the end of the year, and SFr1.6bn of them were attributable to the parent company, Elektrowatt AG, in which CS Holding has a 45.3 per cent voting stake. Elektrowatt AG had record net income of SFr87.3m in its year to January 31 1992.

Danish cleaning group in 41% advance as sales rise

By Hilary Barnes in Copenhagen

ISS, the Danish cleaning services group, yesterday reported an increase in operating profits of 41 per cent to DKr582m ($90m) on turnover up by 23 per cent at DKr11.8bn.

Profits after financial items and goodwill write-offs rose by 24 per cent to DKr329m and net profits were 19 per cent higher at DKr244m.

Earnings per share increased to DKr56 from DKr55. The company is paying an unchanged DKr10 per share dividend on increased capital.

The acquisition of Electrolux's Swedish cleaning services company, ABAB, last year added DKr1.3bn to sales. However, there was an increase of 21 per cent in sales in the European (excluding Scandinavia) division of which almost none was explained by acquisitions.

In the UK, Mediclean, the hospital cleaning services company, has doubled turnover to about DKr500m since ISS acquired the company three years ago. Earnings were also satisfactory, said Mr Poul Andreassen, group chief executive. No major acquisitions are planned for this year.

Finmeccanica bought 6.02% Fokker stake a year ago

By Robert Graham in Rome

FINMECCANICA, the principal industrial group of IRI, Italy's state holding company, acquired its 6.02 per cent stake in Fokker, the Dutch aircraft group, more than a year ago, Mr Franco Nobili, the head of IRI, revealed yesterday.

The secret acquisition of the stake, worth Fl 71.5m ($38.1m) at Fokker's current share price, only came to light on Monday as a result of a new law last month, requiring shareholders to disclose stakes of 5 per cent or more in stock market-listed Dutch companies.

Finmeccanica has so far declined to comment on the reasons behind the purchase or why it has kept quiet about the deal.

However, when questioned by journalists yesterday, Mr Nobili said: "[The purchase] was not recent but something which dates back more than a year."

The disclosure comes just a few days after Fokker announced discussions with Deutsche Aerospace aimed at expanding collaboration in regional jets, including the German group's participation in the development of a smaller version of the Fokker 100.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Toyota and GM strike Australian joint venture deal

By Kevin Brown in Sydney

TOYOTA of Japan and General Motors of the US yesterday announced a merger of some of the activities of their Australian subsidiaries in a joint venture company – United Australian Automotive Industries (UAAI).

UAAI will co-ordinate the design, engineering and model-sharing activities of General Motors-Holden's Automotive (GMHA) and Toyota Australia.

However, the Australian subsidiaries will maintain separate corporate structures and their manufacturing and sales activities will remain largely unchanged.

The deal falls significantly short of early indications that the venture would take control of both companies' production facilities in Australia.

UAAI, formed in 1988, was intended to run the two companies' production from July 1989. The more modest agreement is thought to be the result of corporate differences between the two groups.

Toyota has also committed itself to building a A$420m (US$315.70m) manufacturing plant on a greenfield site in Melbourne. GMHA has no plans for expansion.

Senator John Button, the Australian industry minister, said the completion of the agreement was an "historic decision" which would enable the companies to achieve economies of scale and efficiency savings.

However, the agreement appeared to offer little progress towards the government's objective of a more streamlined industry capable of competing in an open market against overseas imports.

The joint venture proposal emerged after the announcement in 1985 of a government rationalisation plan for the industry, in which five foreign-owned manufacturers compete for a market of 17m people.

The plan provided for tariff protection to be progressively reduced from a nominal rate of 57.5 per cent in 1985 to 35 per cent from January this year.

The government announced last May that tariff protection would be cut by a further 2.5 points a year from next year, to a target of 15 per cent by 2000, to force the companies to speed up rationalisation.

● New United Motor Manufacturing Incorporated (NUMMI), the US-based joint car-making venture between GM and Toyota, said its board has approved a $339m investment for the production of the 1993 Toyota Corolla model and the Geo Prizm, writes Alan Friedman in New York.

● A top Ford Motor executive has called for trade restrictions aimed at Japanese car-makers.

Mr Allan Gilmour, who heads Ford's worldwide automotive division, said Ford would like to see Japan limit exports to the US to about 1.3m vehicles a year. This would compare with current Japanese exports to the US of about 1.7m units a year, well below the 2.3m limit agreed by Japanese car makers and the Japanese government.

UK power stations draw £3bn financing

By Richard Waters

THREE proposals to build gas-fired power stations are due to be finalised by the middle of next month, bringing to as much as £3bn ($5.28bn) the total raised to finance such projects in the UK.

The power stations, operated independently from the two recently-privatised UK power generators, Powergen and National Power, together amount to one of the biggest project financing programmes undertaken in the UK.

The biggest single project to date – the £700m Barking Power scheme, to build a 1,000MW plant on the banks of the Thames – was completed at the end of last week. It has received facilities of £200m from the European Investment Bank. It is the first time the bank has backed such a project from the outset rather than becoming involved at a later stage, according to advisers to the transaction.

The Barking Power deal brings to six the number of independent gas-fired stations to have been financed in the past 18 months, following the move to privatise the UK electricity supply industry at the end of the 1980s.

Three further projects to build stations are in the pipeline: at Medway, Kent; Keadby, Yorkshire; and Derwent, in the Midlands. Each has until April 14 to be completed, the target date set by British Gas six months ago when it agreed supply contracts with the promoters of the projects.

On top of these nine stations – total financing for which amounts to nearly £3bn – Powergen and National Power have themselves started development of gas-fuelled power stations. Unlike the independent projects, these are understood to have been financed as straight corporate loans, with the full backing of the balance sheets of the two power generators.

As such, they would have benefited from lower financing costs. In general, project financing currently attracts an extra margin of between 0.5 and 0.75 percentage points above normal corporate lending rates, according to Mr George Wadia, a director of Schroders, the merchant bank which advised on the Barking Power deal.

Barking Power itself would pay a margin of 1.15 per cent over the London interbank offered rate (Libor) in its construction phase, he said.

For banks that have financed the power station deals, the projects have provided an enhanced margin while at the same time giving some degree of protection to the future cashflow of the projects. In each case, one or more of the UK's privatised *regional electricity distribution* companies has agreed to buy the stations' output at a pre-arranged rate, providing a hedge against future fluctuations in price.

In Barking's case, three companies – Southern Electric, Eastern Electricity and London Electricity – have provided 15-year hedging arrangements. At the same time, they have taken a total of 49 per cent of the equity.

Treasuries move higher on US industrial output data

By Karen Zagor in New York and Sara Webb in London

US TREASURY prices firmed yesterday following the release of a weaker-than-expected US industrial production report for February.

In late trading, the bellwether 30-year bond was ⅜ higher at 99$\frac{25}{32}$, yielding 8.01 per cent, while the three-year note was up ¼ to yield 6.26 per cent.

US industrial production rose 0.6 per cent in the month, below the estimated 0.8 per cent the market had expected. Similarly, US capacity utilisation was reported at 78.2 per cent, below the forecast 78.5 per cent.

Price movements were exaggerated by the light volume.

The market initially moved lower on a report that housing starts for February had risen 9.6 per cent to a rate of 1.3m, well above forecasts. In addition, building permits rose significantly in the month, by 4.4 per cent, to a rate of 1.16m.

There was little reaction to an increase of 0.3 per cent in the February consumer price index, which matched with expectations. Stripping out the volatile food and energy components, it rose 0.4 per cent.

The Federal Reserve arranged overnight system repurchase agreements when Fed funds were trading at 4$\frac{1}{16}$ per cent, above the Fed's perceived 4 per cent target.

■ UK government bonds rallied by up to half a percentage point, helped by the Conservative party's stronger performance in the opinion polls and firmness in the US Treasury bond market.

An opinion poll published in the Daily Express newspaper gave the Tories a three-point lead over the opposition Labour party. Traders said the gilt market, which fell back sharply after last week's Budget and is now seen as oversold, opened on a firmer note and strengthened during the day on futures-driven trade.

The Liffe gilt futures contract opened at 94.31, up on Monday's close of 94.23, and traded up to 95.09 by late afternoon. In the cash market, the benchmark 11¾ per cent gilt due 2003/07 climbed from 112¾ at the opening to 113$\frac{7}{16}$.

The announcement of a public sector borrowing requirement of £1bn for February had little impact on the gilt market, although traders said it was above expectations and seen as an indication of further deterioration in public sector finances. The market is expected to focus on tomorrow's unemployment figures and Friday's retail prices index.

■ THE US bond market's strength helped lift German government bond prices, with the Liffe bund futures contract rising from 88.04 at the opening to 88.20 by late afternoon.

Elsewhere in Europe, the Dutch bond market firmed slightly as traders reported further buying interest in the latest tap issue. The Dutch Finance Ministry's debt management agency said it had raised Fl 1.7bn of the 8¼ per cent Dutch bond due 2007 so far this week. The tap price, which was set at 100.05 initially, was raised to 100.10.

The tap issue has attracted mainly domestic interest, as it appeals to pension and insurance funds. Traders reported switching out of 10-year issues into the 15-year tap.

■ JAPANESE government bonds rose on rumours that the Bank of Japan was about to cut the official discount rate.

The yield on the benchmark No 129 issue, which opened at 5.42 per cent, traded between 5.37 and 5.42 per cent and ended the day at 5.385 per cent. The futures contract climbed from 102.50 to 102.64.

Rumours that the central bank was about to cut the official discount rate by between 75 and 100 basis points circulated in the markets, and traders said the continued stock market weakness reinforced hopes of an easing in rates. Short-term interest rates edged lower, with three-month certificates of deposit trading at between 4.90 and 4.92 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	98.9866	+0.316	10.16	10.02	10.16
BELGIUM		9.000	08/01	101.5000	+0.100	8.74	8.69	8.71
CANADA *		8.500	04/02	97.7800	+1.800	8.85	8.60	8.47
DENMARK		9.000	11/00	101.6500	+0.100	8.70	8.60	8.58
FRANCE	BTAN	8.500	03/97	98.5893	+0.154	8.86	8.75	8.78
	OAT	8.500	11/02	99.5900	+0.350	8.54	8.51	8.50
GERMANY		8.000	01/02	100.5200	+0.200	7.91	7.88	7.92
ITALY		12.000	02/02	98.9800	-0.150	12.17†	12.11	12.31
JAPAN	No 119	4.800	06/99	96.5850	+0.209	5.65	5.70	5.79
	No 129	6.400	03/00	105.6150	+0.169	5.40	5.43	5.45
NETHERLANDS		8.250	02/02	99.7300	+0.020	8.28	8.21	8.32
SPAIN		11.300	01/02	102.4500	+0.030	10.86	10.66	10.83
UK GILTS		10.000	11/96	100-11	+5/32	9.90	9.64	9.48
		9.750	08/02	100-11	+13/32	9.70	9.53	9.36
		9.000	10/08	96-03	+16/32	9.47	9.32	9.17
US TREASURY *		7.500	11/01	99-07	+16/32	7.61	7.46	7.43
		8.000	11/21	99-26	+20/32	8.01	7.93	7.93

London closing, *denotes New York closing session. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

ANA takes stake in seat booking group

By Daniel Green

ABACUS, south-east Asia's largest airline computer reservation system, yesterday extended its presence in the Asia-Pacific region by taking All Nippon Airlines (ANA), Japan's second largest carrier, as a partner.

The move is the latest international tie-up in the fast-growing business of computerised ticket distribution. It comes less than two weeks after the $1.5bn transatlantic merger of the Galileo and Apollo computer reservation systems in Europe and the US respectively.

The deal also strikes a blow in ANA's battle with Japan Airlines (JAL), its rival. ANA is stronger in the Japanese domestic market, but earns only 13 per cent of its sales from international passenger traffic. More than half JAL's sales are to international passengers, and JAL has its own computer reservation system.

ANA is paying $18.2m for a 13.48 per cent stake in Singapore-based Abacus Distribution Systems. The two companies had already linked their reservation computers, but now ANA gains a holding equal to those of Cathy Pacific Airways, China Airlines of Taiwan, Malaysian Airline Systems, Royal Brunei Airlines and Singapore Airlines.

Abacus also has a 5 per cent cross-holding with Worldspan, the third biggest US computer reservation system. Worldspan is owned by Delta Airlines, Northwest Airlines, and Trans World Airlines, all of the US.

ANA said yesterday: "We have a close relationship with Worldspan and we wanted a closer relationship with Abacus." It said the recession had increased Abacus' need for a capital injection.

● Japan Air Lines will cut all executive salaries by between 5 and 15 per cent for an unspecified period from April, Reuter reports from Tokyo. The move follows poor results in the year to March.

In February, JAL forecast a parent company pre-tax loss of Y8bn ($61.5m) for 1991-92, against profits of Y24.85bn.

OM contracts range extended

OM, the Swedish options exchange, starts trading long-dated call options on selected Swedish shares today, writes Tracy Corrigan.

OM London is listing one- and two-year options on Electrolux and Ericsson B shares. It will also list some options on restricted shares, which can only be bought by domestic investors: one- and two-year call options on Astra and S-E Banken A shares and Trelleborg and Volvo B shares fall into this category. Previously, OM options ran only up to six months.

The contract size is 100 shares and the options are American-style; that is, they can be exercised at any time.

Provision for oil unit hits net profits at Cavendish

By Simon Davies in Hong Kong

CAVENDISH International, the property-to-energy subsidiary of Mr Li Ka-shing's Hutchison Whampoa, announced a 5 per cent drop in net profits, to HK$1.25bn (US$162m) for 1991, compared with HK$1.32bn in 1990.

However, the results included a HK$462m provision for the diminution in value of the oil and gas reserves of 24.5 per cent-owned Canadian associate Husky Oil.

The company saw a significant increase in contributions from 34 per cent-owned Hong Kong Electric Holdings. Profits there climbed to HK$2.34bn in 1991, from HK$1.93bn.

However, the Husky provision held the contribution from associate companies to $1.27bn, only $1m higher.

Cavendish saw significant profits from the sale in 1991 of residential blocks in the Belvedere Gardens and South Horizons property developments.

However, the 100 per cent-owned Hong Kong Hilton Hotel suffered a reduction in profits because of global recession and the impact of the increased supply of luxury hotel rooms on Hong Kong island.

Mr Simon Murray, chairman, warned of 1992 that "overall results could be adversely affected by the performance of Husky Oil and in particular the future trend of oil and natural gas prices".

However, analysts do not rule out another privatisation offer for Cavendish this year, as a result of its discount to net asset value and the potential recovery of its Canadian energy interests.

Cavendish recommended a final dividend of 14 cents, making a total 1991 payout of 21 cents.

Foster's seeks boardroom balance

By Kevin Brown

FOSTER'S Brewing, the world's fourth largest beer-maker, is to have three deputy chairmen in an attempt to balance the competing factions on its board, Mr Nobby Clark, chairman, said yesterday.

Mr Clark said Mr John Elliott, deputy chairman since 1990, would be joined by Mr Koichiro Iwaki, representing Asahi Breweries of Japan, and Professor Fred Hilmer, an independent director.

Mr Clark also said a board committee set up last year to discuss strategic options would be attended by Mr Ted Kunkel, who will take over in May as Foster's chief executive.

Mr Kunkel, who is presently chairman of Molson Breweries of Canada, in which Foster's has a 50 per cent interest, was appointed last week to replace Mr Peter Bartels, who resigned after losing a boardroom struggle over dividend policy.

The announcements reflect the increasing influence on the Foster's board of Asahi, which has a 19.9 per cent shareholding. They also confirm that the departure of Mr Bartels was not an unqualified victory for Mr Elliott, who had earlier sought his dismissal.

The board's decision to appoint Mr Kunkel to the strategy committee means the management of Foster's will have more influence over the company's direction than under Mr Bartels, who was not a member of the committee.

That could reduce Mr Elliott's chances of persuading the committee to speed up the disposal of about A$3bn (US$2.2bn) in non-brewing assets which Foster's has said it wants to sell.

Mr Elliott's private company, International Brewing Holdings (IBH), which owns 38 per cent of Foster's, has until May to present proposals to its bankers for the reduction of more than A$2.5bn in debt.

Mr Elliott and two other IBH directors have argued strongly for a rapid disposal of assets, possibly leading to a capital return to shareholders which would allow IBH to repay its debts.

The IBH proposals were resisted by Mr Bartels and Foster's independent directors.

DnB unveils NKr2.4bn share issue plan

DEN norske Bank (DnB), Norway's biggest, yesterday revealed details of a planned NKr2.38bn ($364m) issue of preference shares, to be launched between May 22 and June 5, writes Karen Fossli in Oslo. It is designed to boost capital adequacy to meet new Bank for International Settlements domestic requirements by the end of the year.

The share capital increase is part of a NKr5.9bn rescue package organised in December by the state-backed Bank Insurance Fund, which also agreed to guarantee full subscription.

The issue is to carry pre-emptive subscription rights for existing shareholders, at par value of NKr10 per share.

After the issue, non-restricted shares will represent about 12 per cent of capital, while the restricted shares will be about 88 per cent.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	104⅛	105⅛		7.05
ALBERTA PROVINCE 9 3/8 95	600	106½	106⅞	-⅛	7.24
AUSTRIA 8 1/2 00	400	103⅛	103⅝		7.97
BANK OF TOKYO 8 3/8 96	100	102⅛	102⅝	+⅛	7.74
BELGIUM 9 5/8 98	250	108⅛	108⅝		7.92
BFCE 7 3/4 97	150	100½	101⅛	-⅛	7.42
BNP 8 5/8 94	300	104⅛	105	-⅛	6.44
BRITISH GAS 8 3/8 99	300	101⅝	102⅛	-⅛	8.04
CANADA 9 96	1000	106⅛	106⅝	-⅛	7.16
CARCO 9 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.96
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
WORLD BANK 8 96 LFr	1000	96¼	97¼		8.97
ENERGIE BEHEER 8 3/4 98 Fl	500	103¼	103½		8.08
UNILEVER 9 00 Fl	500	105	105¼		8.14
ALBERTA PROVINCE 10 5/8 96 C$	500	102½	102¾	+⅛	9.81
BELL CANADA 10 5/8 99 C$	150	102⅝	103⅛	+⅛	10.03
BRITISH COLUMBIA 10 96 C$	500	100⅝	101⅛	+⅛	9.75
EIB 10 1/8 98 C$	130	102½	103	+⅛	9.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SmithKline Beecham taps Euromarket for first time

By Tracy Corrigan

SMITHKLINE Beecham, the drugs company, made its debut Eurobond offering yesterday, *three years after SmithKline* Beckman of the US merged with Beecham of the UK.

The company tapped the bond market in order to diversify its sources of funding and extend the maturity profile of its debt, according to Mr Stephen Crompton, director of treasury operations.

Most of the company's funding has been concentrated in the US commercial paper market, where its $1.5bn programme is used actively.

The C$125m, five-year deal, arranged by Merrill Lynch, was swapped into floating-rate US dollars at a level below the London interbank offered rate.

The deal was launched late in the day to gauge the extent *of retail demand. Dealers said* the 9½ per cent coupon would be attractive to some retail investors but that demand remained subdued.

INTERNATIONAL BONDS

Merrill Lynch underwrote the whole deal, assembling only a selling group. The deal was bid at 100.06, above the fixed reoffer level of 99.75, against a rallying Canadian government bond market.

Elsewhere, Goldman Sachs raised funds for its derivatives trading subsidiary, GS Financial Products, using an unusual asset-backed structure. The Y30bn issue, backed by securities and options, was over-collateralised in order to achieve a triple-A rating.

The structure of the deal – *placed mainly in Asia* – allows Goldman to remove assets from its balance sheet and reduce the amount of capital which it has to hold.

In the equity-linked sector, Onward Kashiyama, the Japanese clothing manufacturer, launched a $200m four-year deal which was bid at 98½, below its par issue price but well within 2¼ point fees.

Conditions in the equity warrants market have been further depressed this week by the fall in the Nikkei stock index below 20,000 points. Many warrants were *already trading* so far out of the money that the decline had little further effect on depressed prices.

Volume in the secondary markets has sunk to an extremely low level, and the calendar for new issues is thin. However, any improvements in market conditions would boost the flow of new paper, since many Japanese companies would welcome the chance to refinance equity-linked deals.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Onward Kashiyama Co (a)♦	200	3¼	100	1996	2¼	Nomura Intl
ECU						
Banque Indosuez S.A.(a)†	75	10	102	1994	1⅛/0.925	Daiwa Europe
SWISS FRANCS						
IABD ★★(b)	150	7	102⅞	2000	-	Banque Paribas(Suisse)
D-MARKS						
Sagami Co.(a)♦	60	4⅝	100	1996	2¼/1½	Nikko Bank (Deutsch)
YEN						
Tokyo Land Corp (a)†	20bn	5.7	101.1	1996	1⅝/1⅛	*Yamaichi Intl.(Europe)*
GS Financial Products(c)†	4bn	(d)	100.25	1995	-	Goldman Sachs Intl.
GS Financial Products(c)†	6bn	(e)	100.375	1997	-	Goldman Sachs Intl.
GS Financial Products(c)†	5.8bn	(f)	100.5	1998	-	Goldman Sachs Intl.
GS Financial Products(c)†	13.4bn	(g)	100.625	1999	-	Goldman Sachs Intl.
CANADIAN DOLLARS						
Smithkline Beecham Cap.(a)†	125	9½	101.326	1997	1⅞/1.575	Merrill Lynch Intl

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. †Final terms. a) Non-callable. b) Fungible with earlier issue by Volksbank. c) Backed by a portfolio of securities and options. d) Coupon pays Yen Libor plus 30bp to June 1992, then an annual of 5.9¾. e) Coupon pays Yen Libor plus 30bp to June 1992, then an annual of 6.3%. f) Coupon pays Yen Libor plus 50bp. g) Coupon pays Yen Libor plus 50bp.

Italian bank float attracts strong demand

ITALIAN investors defied a lacklustre stock market and pre-election blues to turn the country's biggest initial public share offering – for 20 per cent of Istituto Bancario San Paolo di Torino, *the leading Italian* bank – into a roaring success, writes **Haig Simonian** in Milan.

The deal, launched on Monday, was closed early yesterday on account of strong demand. Demand in Italy alone at the end of the first day exceeded the 125m shares on offer, while foreign investors bid for over L550bn of shares, equivalent to 36 per cent of the deal, according to preliminary figures from *Mediobanca, the lead manager.*

Under Italy's new rules on public share offerings, the issue had to be kept open for at least two days.

Some 67,000 applications were received in Italy alone by the end of the first day, reflecting the strong retail interest in the deal, while around 800 institutional investors applied from outside Italy.

San Paolo's own clients were among the keenest buyers. *Demand from customers* exceeded 30 per cent of the overall value of the deal, meaning that other allocations would have to be scaled down to fulfil a pledge that customers would be allocated at least 30 per cent of the shares.

Nikkei's decline ruffles Japanese bankers

Capital-to-assets ratios are threatened by falling share prices, writes Stephan Wagstyl

THE Nikkei index's fall below 20,000 on Monday gave many financial executives a sleepless night as they worked out the impact on their companies. For Japanese bankers, the calculations were especially nerve-wracking.

The banks' main concern is the effect of falling share prices on their capital reserves. Under rules set by the Bank for International Settlements, Japanese banks are allowed to count as capital a portion of unrealised gains on their stock holdings.

The more the market falls, the smaller are the unrealised gains. At the 20,000 level, leading commercial banks are close to the 8 per cent ratio of capital to assets which the BIS has set as a minimum. *As Mr Reese* Harasawa, a financial manager at Mitsubishi Bank, said: "We are at the critical level."

The BIS standard does not apply until next year. But banks cannot afford to wait until then to put their balance sheets in order. They must act now to bolster capital and cut asset growth.

Moreover, banks are also suffering from an overhang of bad and doubtful debt incurred during the speculative boom of the 1980s. Some of these loans will have to be written off against reserves – further eroding the banks' capital and reducing their ability to expand lending. As much as possible, banks will try to avoid write-offs by taking possession of land and stocks held as collateral and waiting for an opportunity to sell. But this could take years.

As Mr Masashi Kojima, the president of Nippon Telegraph and Telephone, said yesterday: "It will take banks two years to really determine whether they can recover their bad debts and decide which of the borrowers will survive and which will die."

For borrowers, in Japan and overseas, that means that credit will be harder to obtain and more expensive. So far, the domestic impact has been largely limited to property investments, where hard-pressed companies are being squeezed by a collapse in asset prices and a rise in the cost of servicing loans.

For the Japanese economy as a whole, the threat of a credit crunch still lies in the future. With economic growth slowing, companies are running down inventories and cutting capital investments, so their credit needs are shrinking. The money supply, including loans, grew by just 1.8 per cent in January, compared with same month in 1991 – a record low.

However, if the economy picks up later this year, as the authorities hope, a shortage of credit could emerge as a serious constraint on growth. The assets of Japanese city banks (big commercial institutions), which grew by an annual rate of over 10 per cent in the late 1980s, *increased* by an estimated 5 per cent in the year to the end of March and could grow by just 4 per cent next year, according to Mr Hiroki Akimoto, banking analyst at Nomura Securities.

If the economy fails to recover as quickly as the government expects, then the threat of a squeeze on credit *would also recede.* However, this will also bring banks little relief since slower economic growth would erode their customers' profits and so push more borrowers into financial difficulties.

In the meantime, banks are doing what they can to shore up their balance sheets. Most importantly, they have taken advantage of falling interest *rates to widen* their lending margins. So basic business profits for the year to end-March should rise sharply – by around 30 per cent for city banks, according to industry estimates.

Pre-tax and net profits, which take account of loan write-offs, stock investment losses and other charges, will decline but not by as much as was once feared. The worst result among leading banks is likely to come from scandal-hit Fuji Bank, which has suffered losses associated with a fraudulent loan scheme. Fuji has forecast a 74.9 per cent decline in net profits to Y30bn – a poor result, but one that still leaves the bank in the black.

Another step taken by banks to defend balance sheets is securing subordinated loans, which count as capital under BIS rules.

The city banks have raised around Y1,700bn so far in this financial year and plan to raise a further Y300bn or so by the end of the month. This follows Y4,000bn raised in the 1990 financial year. The funds come largely from life insurance companies.

Even these large cash injections could be dwarfed by large-scale write-offs of bad loans. Banks keep silent about the true extent of their problems. Under Japanese regulations they are not required to publish figures for the size of bad and doubtful debts.

The Ministry of Finance may change the rules next year but even then many problem debts are expected to stay hidden. Outside estimates of the bad and doubtful loans of the big banks range up to Y20,000bn. Not all this money will be lost because banks could eventually sell land held as security.

Some banks are much worse off than others. Long-term credit banks and trust banks generally have stronger BIS ratios than commercial banks. But their exposure to problem debtors is also bigger.

City banks generally are less exposed to property-related debts because their branch networks gave them better information about market conditions and the status of borrowers.

Each lurch of the Nikkei prompts banks to reassess their BIS ratios. They must watch the yen, too, since exchange rate movements alter the value of overseas assets, and so change the ratios.

So far Japanese banks have managed to keep their problem debts mainly under cover. However, if the Nikkei falls any lower or the bad debts go much higher, some banks at least would find it impossible to meet the regulators' requirements.

JAPANESE BANKS
BIS ratios
September 1991

Bank	BIS ratio (%)
Dai Ichi Kangyo	8.38
Mitsui Taiyo Kobe	7.56
Sumitomo	8.94
Fuji	8.72
Mitsubishi	8.72
Sanwa	8.50
Tokai	8.34
Tokyo	8.44
Kyowa Saitama	8.90
Daiwa	9.02
Hokkaido Takushoku	8.82

Source: Salomon Bros

GPA reveals cast for flotation

By Sara Webb

GUINNESS Peat Aviation, the world's biggest aircraft leasing company, which is due to launch its initial public offering (IPO) in June, has announced the full cast of country lead managers for the deal.

The flotation could value GPA at between $3bn and $3.75bn, based on a share price of $20 to $25. GPA is expected to issue 30m new shares, bringing the total number in the company to 150m.

Since GPA made its preliminary filing with the US Securities Exchange Commission last week, the various country managers have started to build up a book of investor demand for the issue. Allocations will then be decided

INTERNATIONAL EQUITY ISSUES

according to demand from the various investor centres, rather than being set in advance.

Nomura is global co-ordinator and lead manager for the equity offering in Japan. Goldman Sachs, Merrill Lynch and Salomon Brothers are co-leads *for the US, while* Barclays de Zoete Wedd and Schroders are sponsors for the UK offering.

The managers for the remaining centres of investor interest are: Swiss Bank Corporation (Switzerland); ScotiaMcLeod (Canada); Dresdner (Germany); Banque Indosuez (France); ABN-Amro (Belgium, Netherlands, and Luxembourg); and Nomura and SBC (the rest of the world).

The IPO is intended to increase GPA's equity capital base, provide a public market in its shares, and help finance the group's aircraft acquisition programme. The group is committed to paying a total of $21.6bn for new aircraft – if options to buy further aircraft are included – up to the year 2000.

Full details will be announced after the publication of GPA's fourth-quarter results in May, and the IPO will take place about a month later.

Rising commissions bring surplus to Osaka exchange

By Emiko Terazono in Tokyo

THE Osaka Securities Exchange (OSE) announced yesterday it would distribute Y1.6bn to member-brokerages due to a surplus in revenues.

The OSE projects a surplus for the year to end-March due to a rise in commission revenue from active trading in the Nikkei stock index futures and options. The surplus contrasts with a Y9.2bn deficit for the Tokyo Stock Exchange (TSE), *which has been hit by faltering* trading volume on the cash stock market.

The differences in revenue may increase pressure on the OSE to implement stricter rules on derivatives trading. Heavy activity on the OSE's derivative markets, which are based on the TSE's cash stock average, has been blamed for creating price volatility on underlying cash shares.

The worried TSE raised margins on arbitrage trading between the futures and cash stock markets three times last year, and the OSE also announced plans to double commissions on futures and options trading.

The OSE said it would refund members by reducing fixed-rate membership fees for cash stocks, and index futures and options trading by 25 per cent. For the current year, revenues are projected at Y20bn against expenses of Y19.9bn.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Tuesday March 17 1992.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Mar 16 Index No.	Fri Mar 13 Index No.	Thu Mar 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	798.25	+0.9	7.93	5.98	16.41	2.55	791.43	794.15	793.43	875.00
2	Building Materials (23)	952.09	+0.5	7.38	6.53	18.52	0.99	947.63	957.74	959.64	1143.63
3	Contracting, Construction (28)	890.87	+1.7	8.62	8.20	16.76	2.12	876.33	881.98	882.25	1417.20
4	Electricals (7)	2462.51	+0.3	7.91	6.09	16.69	1.47	2454.44	2463.20	2475.25	2371.57
5	Electronics (26)	1841.61	+1.6	9.84	4.65	12.88	2.20	1812.99	1808.70	1820.75	1892.65
6	Engineering-Aerospace (8)	340.57	+0.7	9.94	7.63	13.09	9.52	338.37	337.49	342.08	443.79
7	Engineering-General (43)	498.50	+0.8	9.04	4.74	13.67	1.21	494.77	497.06	498.03	463.77
8	Metals and Metal Forming (10)	335.04	+1.8	2.07	10.22	–	0.00	329.17	330.70	330.46	386.22
9	Motors (14)	316.22	....	7.36	7.41	18.61	2.90	316.33	315.66	320.16	347.34
10	Other Industrial Materials (19)	1613.03	+0.8	7.38	5.14	16.53	1.08	1601.02	1605.73	1582.48	1549.19
21	CONSUMER GROUP (187)	1628.39	+0.4	7.34	3.45	16.70	5.83	1621.71	1627.13	1639.80	1412.15
22	Brewers and Distillers (23)	2047.44	+0.6	7.83	3.46	15.40	7.92	2034.98	2043.38	2059.98	1730.40
25	Food Manufacturing (18)	1254.33	+0.6	8.77	4.16	14.15	5.59	1246.65	1250.15	1267.22	1180.07
26	Food Retailing (17)	2574.61	+0.8	8.57	3.22	15.16	4.06	2554.95	2553.19	2605.71	2623.09
27	*Health and Household (24)*	4162.60	-0.3	6.47	2.51	17.55	19.73	4177.03	4193.61	4205.11	3039.16
29	Hotels and Leisure (22)	1292.85	+0.4	6.96	5.27	18.28	8.54	1287.16	1290.99	1292.74	1369.91
30	Media (24)	1522.21	+0.7	6.31	3.60	19.99	2.97	1511.67	1525.63	1534.93	1455.16
31	Packaging, Paper & Printing (17)	745.15	+0.6	7.04	4.50	16.96	0.31	741.04	745.95	756.31	645.19
34	Stores (32)	1040.75	+0.9	7.11	3.47	18.64	1.91	1030.95	1035.38	1037.75	898.78
35	Textiles (10)	653.38	+0.5	7.02	4.76	18.17	2.69	650.06	651.34	654.42	536.03
40	*OTHER GROUPS (117)*	1195.82	+0.9	10.00	5.53	12.61	8.87	1185.69	1192.54	1202.67	1197.86
41	Business Services (16)	1354.40	+0.8	6.79	4.77	18.72	0.27	1344.07	1346.66	1351.36	1107.97
42	Chemicals (22)	1460.38	+0.7	7.18	5.01	17.03	20.02	1449.52	1459.43	1457.25	1245.17
43	Conglomerates (11)	1349.88	+2.3	10.56	7.49	11.56	3.18	1319.80	1323.41	1343.17	1586.51
44	Transport (14)	2348.01	+0.9	5.41	4.83	24.43	2.93	2327.30	2345.06	2373.57	2212.74
45	Electricity (16)	1143.98	+0.4	15.36	6.50	8.49	17.21	1138.99	1154.54	1167.13	1150.79
46	*Telephone Networks (4)*	1360.06	+0.5	11.53	4.61	11.33	16.02	1352.96	1361.93	1385.39	1381.06
47	Water (10)	2315.81	+0.7	16.42	6.87	5.98	0.00	2299.49	2302.41	2311.56	3451.87
48	Miscellaneous (24)	1813.83	+0.8	5.63	5.34	24.24	1.26	1800.11	1796.95	1769.16	1888.81
49	INDUSTRIAL GROUP (482)	1282.49	+0.6	8.26	4.54	15.14	6.01	1274.48	1279.74	1287.94	1217.83
51	Oil & Gas (18)	2032.18	+0.4	9.19	6.99	14.36	36.07	2024.06	2003.54	1997.49	2351.70
59	500 SHARE INDEX (500)	1352.51	+0.6	8.36	4.80	15.06	8.20	1344.38	1347.92	1355.24	1314.31
61	FINANCIAL GROUP (86)	700.31	+1.7	–	6.35	–	9.78	688.54	689.95	699.14	840.96
62	Banks (9)	881.03	+3.8	4.58	6.20	46.74	21.90	848.94	851.11	865.10	911.90
65	Insurance (Life) (6)	1419.91	+0.2	–	6.09	–	0.00	1417.63	1426.40	1423.12	1553.37
66	Insurance (Composite) (7)	439.64	-0.4	–	8.69	–	3.67	441.46	447.82	461.79	714.50
67	Insurance (Brokers) (10)	990.74	+0.5	7.83	6.74	16.82	12.58	985.49	981.02	983.07	1160.64
68	Merchant Banks (7)	447.70	-0.4	–	4.63	–	2.26	449.35	445.69	453.54	443.99
69	Property (33)	698.61	....	8.23	6.50	16.62	0.93	698.78	699.19	695.56	1080.29
70	Other Financial (14)	239.07	+0.3	8.43	7.30	15.58	1.38	238.33	239.04	240.53	295.16
71	Investment Trusts (68)	1169.96	+0.6	–	3.79	–	7.30	1162.56	1166.40	1179.50	1204.27
99	ALL-SHARE INDEX (654)	1197.76	+0.7	–	4.98	–	8.36	1189.05	1192.12	1199.62	1197.98

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 16	Mar 13	Mar 12	Mar 11	Mar 10	Year ago
FT-SE 100 SHARE INDEX‡	2491.2	+20.5	2494.4	2477.3	2470.7	2476.0	2493.3	2522.4	2574.8	2459.0

FIXED INTEREST

	PRICE INDICES	Tue Mar 17	Day's change %	Mon Mar 16	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	121.45	+0.09	121.34	2.20	2.13
2	5-15 years (25)	133.80	+0.36	133.32	1.87	3.54
3	Over 15 years (9)	143.00	+0.54	142.23	1.50	2.78
4	Irredeemables (6)	158.50	+0.08	158.37	2.83	1.50
5	All stocks (67)	132.32	+0.28	131.95	2.00	3.00
	Index-Linked					
6	Up to 5 years (2)	170.13	+0.16	169.86	0.32	1.37
7	Over 5 years (9)	146.12	+0.17	145.87	0.57	1.20
8	All stocks (11)	148.30	+0.17	148.05	0.53	1.21
9	Debs & Loans (62)	116.70	+0.18	116.49	2.35	2.39

	AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 17	Mon Mar 16	Year ago (approx.)
	British Government				
1	Low	5 years	9.26	9.31	9.47
2	Coupons	15 years	9.48	9.52	9.86
3	(0%-7¾%)	20 years	9.48	9.52	10.03
4	Medium	5 years	9.87	9.91	10.31
5	Coupons	15 years	9.56	9.62	10.26
6	(8%-10¾%)	20 years	9.51	9.57	10.22
7	High	5 years	10.09	10.13	10.46
8	Coupons	15 years	9.69	9.75	10.43
9	(11%-)	20 years	9.61	9.67	10.41
10	Irredeemables		9.70	9.71	10.17
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.66	3.70	3.75
12	Inflation rate 5%	Over 5 yrs	4.47	4.48	4.22
13	Inflation rate 10%	Up to 5 yrs	3.03	3.07	2.40
14	Inflation rate 10%	Over 5 yrs	4.30	4.31	4.05
15	Debs &	5 years	11.23	11.13	11.87
16	Loans	15 years	10.82	10.84	11.62
17		25 years	10.64	10.66	11.41

‡Opening index 2477.3; 9 am 2488.6; 10 am 2482.2; 11 am 2488.5; Noon 2488.7; 1 pm 2488.7; 2 pm 2490.7; 2.30 pm 2491.1; 3 pm 2487.6; 4.10 pm 2490.8; (a) 8.43am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel 071-925 2323

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	1	15
Other Fixed Interest	5	7	5
Commercial, Industrial	257	254	978
Financial & Property	128	119	539
Oil & Gas	16	19	52
Plantations	0	0	9
Mines	6	38	84
Others	20	70	48
Totals	496	508	1,730

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
500	F.P.	–	548	463	Amicable Smlr Units	463		R3.1	–	0.9	–
106	F.P.	–	104	95	Ayerside Group	102	+1	L5.8	1.1	7.6	8.2
–	F.P.	–	378	378	Bodycote Intl (RFD)	378		8.75	3.0	3.1	13.9
‡	F.P.	–	75	58	Capital Industries 1p	58		–	–	–	–
70	F.P.	–	72	63	Fleming Inc & Cap Tst Inc	64	+1	F4.73	–	9.8	–
100	F.P.	–	102	94	Do Units	96	+1	F4.73	–	6.6	–
30	F.P.	–	32½	30½	Do Zero Div Pf	32½	+½	–	–	–	–
–	F.P.	–	39	33	Fleming Japanese Wrnts	34	+1	–	–	–	–
–	F.P.	–	72	69	Headlam Group (RFD)	70		2.4	1.2	4.6	23.4
£10¾	F.P.	–	£12¼	£10¾	Latin Am Inc & Appr 1c	£12¼		–	–	–	–
100	F.P.	–	99	97	Lloyds Smlr Co's Pckg Uts	97		–	–	4.8	–
[illegible]	F.P.	–	39	34	Do Dividend	37		–	–	–	–
[illegible]	F.P.	–	62	57	Do Capital	60		–	–	–	–
–	F.P.	–	11	‡	Multitrust Warrants	11		–	–	–	–
–	F.P.	–	104	[illegible]	Riv & Mer Tst Inc 12 1/2p	103		R9.2	–	11.9	–
–	F.P.	–	124	117	Do Stpd Prf 12 1/2p	123		R5.6	–	6.1	–
115	F.P.	–	128	121	[illegible]	127		14.3	1.7	[illegible]	14.6
100	F.P.	–	100	100	Templeton Emrg Mkts C	100		–	–	–	–
–	F.P.	–	160	158	Usher-Walker (RFD)	160		5.5	1.3	4.6	21.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	102½p	99½p	Bank of Ireland Units Non-Cum Prf A	100p	
10p	F.P.	-	10p	8p	Bates Moving 10pc (Net) Cv Prf 1994	9p	-1
100	F.P.	-	107½	98½	Camborne Inds 10½pc Rd Deb 2001	105½	
100p	F.P.	-	107p	100p	Fidelity Euro Values Equity Ln 2001	107p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	110	+6
100p	F.P.	-	105½p	99½p	NatWest Bank 9pc Prf Series A	99½p	
[illegible]	Nil	-	135pm	115pm	Thorn EMI Non-Int. Bearing Cv Units	118pm	+3
‡	F.P.	-	75p	68p	Wembley 6p (Net) Cv Cum Prf 1999	68p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
12	Nil	28/4	5pm	3pm	Addison Consultancy	4pm	
435	Nil	23/4	115pm	53pm	Berisford 10p	106pm	
212	Nil	27/3	37pm	22pm	British Vita	22pm	
27	Nil	27/3	¾pm	½pm	Caldwell Inv 10p	¾pm	
8	Nil	26/3	4pm	1pm	[illegible] 5p	1½pm	-¼
95	Nil	24/4	11pm	8pm	Raine Industries 10p	7pm	-1
215	Nil	1/5	40pm	29pm	Trinity Intl 10p	29pm	-6
4	Nil	3/4	½pm	¼pm	West Trust	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. n Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. ?? Reintroduction. ♦ Unlisted securities market. ● Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings March 16
- Last Dealings March 27
- Last Declarations June 25
- For settlement July 6

3-month call rate indications are shown on this page.

Calls in Albert Fisher, British Telecom New (partly-paid), Burton, Cluff Res., Dowty, Ratners, Smith & Nephew and Tarmac. Puts in Cluff Res., Fleming Japan and George Wimpey.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	40	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	5½	Courtaulds	38	Lex Service	16	TI	46	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	60	FKI	5½	Lonrho	18	Tesco	19	Conroy Pet	8
BOC	46	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	16	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	26	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	28	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	56	Glaxo	89	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	16	Brit Land	15		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	*Hanson*	15	*Ratners*	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	38	Mountleigh	1½		

Because of technical problems at source the London Traded Options table was not available for this edition.

Evans Halshaw limits fall as new car sales decline

By Jane Fuller

IN A declining market for new cars last year, Evans Halshaw, the motor dealer, limited its pre-tax profit fall to 6 per cent, from £4.11m to £3.86m.

The share price rose 9p to close at 285p, its highest level since 1988.

The profit decline for the year to December 31 was much less steep than in 1990, when the group was hit by losses in parts distribution, which it has sold, and the cost of reorganising contract hire.

The group also announced plans to open two multi-franchise outlets in the Midlands.

This decision was made against a background of relaxation in manufacturers' restrictions related to a recently published Monopolies and Mergers Commission report.

Mr Geoffrey Dale, chairman, said the first outlet, in Birmingham, would combine the sale of new Honda, Nissan and Mazda cars with used cars and service. It would cost just over £3m and open by August.

The second, in Solihull, would include Vauxhall, Rover, which relaxed its exclusivity requirements in January, and Toyota. It would cost a similar amount and open next year.

The concept involves a cluster of independent showrooms rather the new makes being mixed in together.

Mr Dale said that when the developments were complete the company would have 45 dealerships covering 18 different franchises.

Operating profit fell by 18 per cent to £7.1m (£8.62m) on turnover of £340m (£383m). Part of the fall followed a business disposal. Ongoing activities were down 7 per cent. Mr Dale blamed the downturn in the UK new car market – last year total sales fell by 21 per cent to 1.59m units.

The share of Evans Halshaw's operating profit attributable to car sales fell from 32 per cent to 19 per cent.

Three quarters of profit came from servicing and parts, compared with 62 per cent in 1990.

At the pre-tax level, there was an £800,000 turnround in contract hire and the growing fleet management business, which gives computerised analysis of fleet costs.

This helped the interest line, where charges fell from £4.52m to £3.24m. The business disposal and cost control also played a part.

Net debt went up slightly to £14m (£13m), all but £2m related to contract hire, giving gearing of about 37 per cent.

Earnings per share slipped from 12.3p to 11.7p. A maintained final dividend of 7.65p makes an unchanged 11.25p total.

Hillsdown mushrooms in the Netherlands

By Maggie Urry

HILLSDOWN HOLDINGS, the food processing group, is buying Holco, a Dutch mushroom and asparagus canning and bottling business, in a move which will make it one of the largest mushroom processors in Europe.

The seller is Albert Fisher, the fresh produce distributor. Hillsdown is paying Fl 37.5m (£11.7m) cash – a price thought to be at about asset value.

Hillsdown has emphasised its strategy of making small acquisitions which fit easily with its main business, and Holco will be combined with its Jeco Conserven Horst mushroom and asparagus business.

Mr John Jackson, deputy chairman of Hillsdown, said Holco had a modern facility which was working at about 70 per cent capacity. Jeco's management would run the combined operation and its retail packing side would be moved to Holco while Jeco's plant concentrated on catering packs.

Mr Jackson said the European mushroom market had been hit in 1991 by an influx of cheap mushrooms from Poland, but now that some producers had left the market profitability was improving.

Hillsdown shares rose 2p to 176p, and Albert Fisher's shares were unchanged at 67p.

Four Seasons Hotels in deal with EIE

By Bernard Simon in Toronto and Robert Thomson in Tokyo

CANADA'S Four Seasons Hotels will become the world's largest operator of luxury hotels under an agreement with the Japanese parent of the Regent International chain.

EIE International, the financially-troubled Japanese developer, will transfer management of five Regent hotels, including those in New York and Milan, to Four Seasons.

The two groups also plan to set up a property partnership to which each will contribute its interests in 10 hotels, all but two of them in North America. EIE will also contribute its interest in Regent.

EIE will have an 80 per cent stake in the joint venture, with Four Seasons owning the remaining 20 per cent. Four Seasons will also contribute $102m in equity.

Four Seasons, whose 23 existing properties include The Pierre in New York and London's Inn on the Park, said yesterday the deal accelerated its planned expansion in the Far East by five to 10 years without increasing its exposure to the real estate market.

Regent manages 10 hotels, expects to negotiate contracts for five others, and has several projects under development. Four Seasons said it would provide advisory services for various properties still managed by the Japanese group.

Separately, EIE International has resort and golf club interests in Asia and the Pacific, and also owns a floating hotel moored at Ho Chi Minh City in Vietnam.

Mr Yoichi Shibata, EIE's managing director, said "the value of our property holdings will be increased by the Four Seasons link because the company is one of the world's most powerful hotel operators".

The Japanese company plans to reduce estimated debts of Y630bn ($4.7bn) through strategic sales of property holdings over the next two years or so.

The Long-Term Credit Bank, the main bank of EIE, and four other Japanese institutions have sent managers to restructure the company, which has already sold off a hotel in Saipan and part of its share in a Hong Kong office complex.

Federal Express to sell French domestic service to TNT

By Kevin Brown in Sydney

TNT, the Australian transport group, yesterday announced an A$80m (US$60.1m) deal with Federal Express, the US express mail carrier, to buy the Chronoservice domestic express business in France and deliver inbound international shipments for FedEx in several European countries.

The deal follows the decision by FedEx to pull out of the highly competitive market for express services between European countries, and to end domestic services in France, Germany, Italy and the UK.

Sir Peter Abeles, TNT chief executive, said the agreements, subject to approval from European regulatory authorities, would "further demonstrate the leading position we have built in Europe."

The deal represents a significant expansion by TNT, which will become a strong competitor in the French domestic market, where it operates only international services.

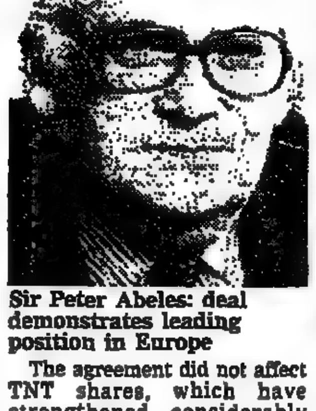
Chronoservice is one of France's leading express mail companies, with a network of 12 depots, about 450 employees and 235 trucks, mostly located in the west of the country.

TNT claims to be Europe's leading operator of domestic express mail businesses, with strong and highly profitable operations in Italy, Germany, Spain and the UK.

The second element of the deal stipulates that FedEx will appoint TNT's Express Worldwide subsidiary as its sub-contractor to handle inbound deliveries to 10 European countries.

The effect will be to remove a strong competitor from the inbound international market, and increase the volume of packages being handled by TNT's road and air delivery network.

TNT said the deal was supported by GD Net, the Dutch-based consortium of five European and North American post offices which last year agreed to form a joint venture to pool express mail shipments.



Sir Peter Abeles: deal demonstrates leading position in Europe

The agreement did not affect TNT shares, which have strengthened considerably after falling below A$1 last year as worries mounted about liquidity. The shares closed unchanged at A$1.96 on the Australian Stock Exchange.

RH Macy records $671m loss in quarter

By Nikki Tait in New York

R. H. MACY, the large US department store chain which filed for Chapter 11 bankruptcy protection earlier this year, yesterday announced an after-tax loss of $671.6m in the three months to February 1 – covering the key Christmas sales period.

The figures, however, are confused by write-off and restructuring charges. The company said that, excluding special charges, the operating profit for the quarter was $32.7m, compared with $182.5m in the same period a year earlier.

Sales for the period totalled $2.05bn, a decrease of 6.4 per cent. On a same-store basis, Macy's said the fall was reduced to a 3.4 per cent decline.

The company said the after-tax loss of $671.6m compared with a profit of $78m last time. Charges taken during this quarter, according to the company, included $284m of "unusual" items, $102m of reorganisation expenses, and extra markdowns of $220m.

The unusual items derive principally from a $241m write-off of goodwill.

Within the reorganisation expenses, Macy's is charging $76m for store closings, $16m for deferred debt expenses, and $8m for the write-off of preferred stock issuance costs.

Macy's said cash and cash equivalents on hand at March 13 totalled $250m.

It added that it had not yet used the $600m debtor-in-possession financing facility approved by the bankruptcy court.

Apt hue for Bluebird's fun bus

By Peggy Hollinger

IT HAS been a tough time all round in Toytown, but especially for Bluebird Toys, maker of the microscopic Polly Pocket doll and the Big Red Fun Bus.

Pre-tax losses at this USM-quoted group deepened from £856,000 to £3.55m over 1991.

Virtually all of the deficit was attributable to exceptional charges of £3.46m taken during the first six months for a wide-ranging restructuring programme.

Profits in the second half totalled £924,000, compared with £40,000 for the comparable period of 1990.

Mr Torquil Norman, founder and chairman, said the restructuring programme was now complete and the company expected to make a profit in the coming year.

"We are now back on track . . . Trying to restructure in the recession was like trying to turn a supertanker round in a force 10 gale," he said.

Two factories had been closed in the last 18 months with the subsequent loss of 450 jobs.

Head office staffing had been reduced and various product ranges combined under a single sales force.

Stocks had been cut by 50 per cent to £4.4m, and a significant amount of work was being sourced from the Far East. He denied that this would affect the quality of products offered.

Turnover fell from £44.3m to £42.6m. Margins came under pressure due to the greater proportion of overseas sales which rose by 50 per cent to £11m.

Mr Norman said the group remained well within its banking facilities. Net gearing – excluding the 30-year convertible loan stock – was 75 per cent.

Losses per share jumped from 10.8p to 35.3p.

Chilean group wins Argentine power order

By John Barham in Buenos Aires

TWO privatised Chilean power companies have won the bidding for the first Buenos Aires electricity generator to come on the market as part of Argentina's aggressive privatisation programme.

A consortium comprising Chilgener and Chilectra offered $92.2m in cash for a 60 per cent stake in Central Nuevo, a company created to manage two Buenos Aires power stations. The company was carved out of SEGBA, the state-owned electricity monopoly that serves greater Buenos Aires.

The Chilean companies outbid Spanish, French, US and Chilean rivals. The second-placed bidder, France's state-owned Electricité de France acting with a local partner, offered $84.3m.

Argentina hopes to net over $6bn by selling seven utilities, including the entire electricity and gas industries and part of state-owned oil company YPF.

It plans to create an electricity market in which generation, transport and distribution are handled by competing companies.

Ten per cent of Central Nuevo's stock will be held in trust for the employees, while the government will retain a 30 per cent share. It plans to sell its shareholding in a stock market flotation at a later date.

● Stockbrokers in Buenos Aires reported strong demand for shares in Telecom Argentina on Monday. This was the first day for offers to buy the government's remaining 30 per cent stake in the country's second largest telephone company which was privatised in 1990.

Unisys expects 'small profit'

By Louise Kehoe in San Francisco

UNISYS, the struggling US computer manufacturer, said it expected to be profitable in the current first quarter in spite of continuing market weakness and tough competition.

After several years of heavy losses, Unisys returned to profitability in the fourth quarter of 1991.

The company now expects "a small profit in the seasonally weak first quarter, compared with a loss of $98m, or 79 cents a share, in the first quarter last year", said Mr James Unruh, chairman and chief executive.

"Clearly, we consider a first quarter profit another significant milestone in our recovery. Given the environment, a profit was not a sure thing. We remain very cautious about global economic conditions, particularly in the first half. But we have not altered our view of 1992 as a profitable, though difficult year," Mr Unruh said.

Outlining Unisys' strategy, he said the company aimed to lower its costs in order to maintain profitability in spite of weak business conditions.

With "our continually improving cost structure, any incremental revenue we can generate will have a positive impact on the bottom line," he said.

Mr Unruh said Unisys planned to continue to reduce its $3bn debt and the company expected to generate more than $700m in cash flow from operations in 1992.

"We believe we were early among our computer systems competitors to reshape our business to the new realities of our industry. There is no easy or rapid way to solve today's challenges. But we have indeed made a new start and will begin in 1992 to reap the benefits."

● Dell Computer said Xerox would market Dell's personal computers in 19 countries in South America, Central America and the Caribbean, AP-DJ reports from Austin, Texas.

Dell said it would continue its relationships with other resellers in Latin America, which had distributed its products on a limited basis.

The countries do not include Brazil, which has barred personal computers imports since 1975, and Mexico, where Xerox does not market PCs.

i-STAT launches hand-held blood analyser

By Alan Friedman in New York

A HAND-HELD, battery-operated analyser that reduces the time needed to perform a blood test to 90 seconds has been launched by i-STAT, a Princeton-based medical diagnostics company.

The system – a portable clinical analyser with a disposable biosensor cartridge – will initially be marketed in the US. It is intended to replace laboratory blood tests that can take an hour or more to perform.

Mr William Moffitt, president of i-STAT, said the company would target the acute care units of 2,000 US hospitals and hopes to sell between 10 and 20 per hospital, at $8,000 per analyser.

The analyser, which looks like a remote control for a television set, accepts a tiny cartridge containing two drops of blood and produces test results for sodium, potassium chloride, glucose, urea nitrogen and hematocrit.

The company, which employs 115 people and has its manufacturing plant in Canada, recently raised $51m through a share issue on the Nasdaq over-the-counter market.

The Japanese launch of the analyser, which Mr Moffitt said was the only product of its kind, will take place later this year.

Broker concerned about Lonrho's debt

By Roland Rudd

CONCERN over Lonrho's disposal programme will be highlighted today with the publication of a note by UBS Phillips and Drew, its stockbroker, predicting that the group's net debt for the year end will remain as high as £1bn.

In spite of reports by the international conglomerate that it plans to reduce its net debt from £1.1bn to about £600m, its brokers fear that without sizeable international disposals Lonrho's borrowings will not fall significantly.

The report, entitled Dependent on Disposals, says Lonrho's problems are compounded by structural problems.

Because less than 10 per cent of its pre-tax profits are generated in the UK it is vulnerable on the tax front with unrelieved advance corporation tax. The group needs more cash in the UK to pay interest and dividends.

In a further blow to the group Phillips and Drew believes that Western Platinum, located in South Africa, is worth only half the £1bn valuation put on it by Mr Tiny Rowland, Lonrho's chief executive, in the 1990 annual report. Lonrho has a 75 per cent stake in the mine.

The broker has also downgraded its profit forecast for 1992 to £150m, with earnings per share of 10p compared to 14.2p for the year to end-September 1991.

Since Lonrho's results were published in January, with pre-tax profits falling by 24 per cent to £207m (£273m), the group has announced a disposals programme to significantly reduce its debt.

Yet to date it has only announced two disposals, which include the sale of its UK Man truck importing business for £20m and Scottish and Universal Newspapers for £45m to Trinity International Holdings.

Mr Mike Smith, conglomerate analyst at Robert Fleming Securities, said: "Lonrho is not taking what the City is saying seriously enough: its debt is too high. And a £45m sale will not make a blind bit of difference."

Lonrho reported the sale of its 50 per cent interest in Kuhne and Nagel, the German freight forwarder, for DM340m (£118.8m) hours before its results.

Phillips and Drew believe there has been too much concentration on the possible disposal of UK assets and not enough about possible disposals abroad.

S&P sees US newspapers recovering

By Alan Friedman

THE US newspaper industry is showing signs of recovery, with prospects for a strengthening of profitability toward the second half of 1992, according to a report from Standard & Poor's, the credit rating agency.

A survey by the agency of nine publicly-quoted newspaper groups concluded that earnings in the last quarter of 1991, while mixed, were generally encouraging.

Advertising lineage figures for the month of January, meanwhile, pointed to a near halt to the decline in advertising demand.

S&P said ratings on most newspaper companies would not be downgraded this year, although the rating outlook for several group – including Dow Jones, Knight-Ridder and Times Mirror – remained negative because of concern that the recession may last longer than expected.

Mr Robert Nelson, a senior vice-president at S&P, said it appeared that most of the newspaper groups examined were beginning to emerge from what he called the industry's worst ever downturn.

Most newspapers had taken what S&P termed "prudent measures" to bolster creditworthiness. These measures included a more cautious investment profile, cuts in operating costs and the lowering of debt burdens.

S&P noted that Dow Jones – whose flagship paper The Wall Street Journal is dependent upon national and financial advertising – had a stronger fourth quarter last year, with advertising lineage at The Journal down by only 0.7 per cent and advertising revenues 3.3 per cent higher.

Mr Nelson said recessionary pressures on US newspaper companies would abate slowly during the first half of 1992, with more rapid strengthening likely in the closing months of the year.

The well-diversified groups, such as Gannett and Knight-Ridder, might show better results sooner than companies such as the Times Mirror group, which relies on the harder hit north-east and southern California regions.

NEWS DIGEST

Exceptionals hold back Refuge

CONCENTRATION ON its core life insurance activities helped Refuge Group report pre-tax profits of £12.6m for 1991.

The outcome compared with restated profits of £13.8m last time, but was struck after exceptional provisions of £3.73m (£705,000) for bad and doubtful debts in the personal finance subsidiary.

Life net premium income expanded 13 per cent to £213m over the year as the division's attributable profits rose from £13.3m to £15m.

In contrast, general insurance succumbed to the depressed sector trend and incurred increased losses of £708,000 (£469,000). Most premium rates have been increased in recent months.

Losses in the Douglas Allen Spiro estate agency side amounted to £1.54m (£1.33m), but Mr Tom Booth, chairman, said there were signs that the housing market was beginning to show improvement.

Earnings per share were virtually unchanged at 25.81p (25.6p). A proposed final dividend of 20p brings the total for 1991 to 29p (26.75p).

Ernest Green falls to £342,000

Ernest Green and Partners Holdings, the USM-quoted engineering consultancy, reported pre-tax profits down from £1.11m to £342,000 in the six months to December 31.

Turnover was lower at £5.32m against £4.03m.

Staff had been cut by 30 per cent over the past year and further reductions may be necessary. A £142,000 provision for redundancies was taken as an exceptional charge.

Earnings per share came out at 2.9p (8.8p) and the interim dividend is held at 2.75p.

There was an extraordinary credit of £133,000 from the gain on the sale of a property less head office relocation costs.

Losses of £1.06m at Celestion Industries

Celestion Industries, a maker of clothes and electronic consumer goods and a supplier to Marks and Spencer, reported a pre-tax loss of £1.06m for 1991 on sales down 12 per cent to £36.6m because of "harsh conditions" in its main markets.

In 1990 profits of £951,000 were achieved on turnover of £41.5m.

Losses emerged at 5.1p (3.9p earnings) and the dividend is being maintained at 1.2p.

Henderson Highland assets edge ahead

Net asset value per share of the Henderson Highland Trust edged ahead from 93.9p to 96.7p over the year to end-February.

Attributable revenue dipped to £1.5m (£1.63m) for earnings of 5.74p (6.27p). A proposed final dividend of 1.4p makes a 5.6p (5.25p) total.

The board said revenue for the 1990-91 year had benefited from high income from cash deposits in the months following the launch of the company.

Amey drives up 27% to £2.8m

Amey Holdings, the private contractor, reported a 27 per cent rise in pre-tax profits from £2.2m to £2.8m for 1991. Turnover rose 53 per cent to £145m.

The company said as a result of a marketing drive turnover in its roads side improved from £37m to £62m while building sales quadrupled to £31m.

Earnings per share were 352p (311p).

BP proven reserves down by 4%

British Petroleum's proven oil reserves declined by 4 per cent, from 4.65bn barrels in 1990 to 4.44bn barrels last year. The company's gas reserves slipped slightly from 11bn cu ft to 10.92bn cu ft.

The company, which published the new reserve figures in its annual report, said the downward revisions came after disposals and a change of 96m barrels in its estimate of Canadian bitumen reserves.

Oil production, however, rose last year to 1.4m barrels a day from 1.3m b/d previously.

BP's proven oil reserves have been declining for the past four years and the company has embarked on an ambitious exploration programme in order to widen its reserve base.

Intercare acquisition and £3.52m placing

Intercare Group, a healthcare products supplier, is buying Birmingham Optical Group, a distributor of equipment to the ophthalmic industry, for a maximum £4.33m.

It is also raising £3.52m gross by a placing of 2.75m shares.

The purchase consideration is split into an initial £2.73m, satisfied by the issue of 2.13m shares, of which 1.54m are being placed, and profit-related payments to a maximum of £1.6m, satisfied by shares.

The placings are subject to clawback by existing shareholders on a 1-for-4.695 basis at the placing price, which is 128p for the initial consideration.

Birmingham Optical reported pre-tax profits of £249,000 in 1991 after exceptional directors' bonus of £276,000. Net assets at the end of the year were £1.48m.

R&M American Capital assets up

Net asset values per capital and income share of River & Mercantile American Capital & Income Trust stood at 37.27p and 65.64p respectively at end-February.

The figures compared with 30.05p and 61.21p a year earlier.

Available income for the 12 months rose to £605,000 (£583,000), equal to earnings per income share of 8.07p (7.77p). A proposed final dividend of 2.4p makes a same-again 7.8p total.

Banque Générale du Luxembourg rises

BANQUE Générale du Luxembourg pushed up net profits by more than 20 per cent in 1991 to LFr1.52bn ($44m) from LFr1.26bn a year earlier, writes Andrew Hill in Brussels.

The bank is proposing an increased dividend of LFr600 per share against LFr450.

It underlined its policy of making provisions for "all declared or perceived risks" and confirmed that its solvency ratio was well in excess of what will be required by EC law from the beginning of next year.

The net balance sheet total increased by nearly 17 per cent to LFr593bn, and the consolidated balance sheet figure was LFr599bn.

UK COMPANY NEWS

Agreement with Power, but other 'knotty' problems remain

Brent Walker venture unravelled

By Maggie Urry

BRENT WALKER, the heavily-indebted leisure group, and Power Corporation, the Irish property company, have finally unravelled their property joint ventures which include the Trocadero in central London.

The deal was a condition of Brent Walker's £1.6bn financial restructuring, which is due to be completed by the end of this month. Bond holder and shareholder resolutions passed last December approving the plan expire on March 31. Bankers feel that if it became necessary to go back to investors it would be difficult to hold the restructuring together.

Brent Walker must also come to an agreement with Grand Metropolitan over the disputed *purchase price of the* William Hill betting shop chain and a £50m payment due to GrandMet. There are also other smaller but "knotty" difficulties to sort out, advisers said.

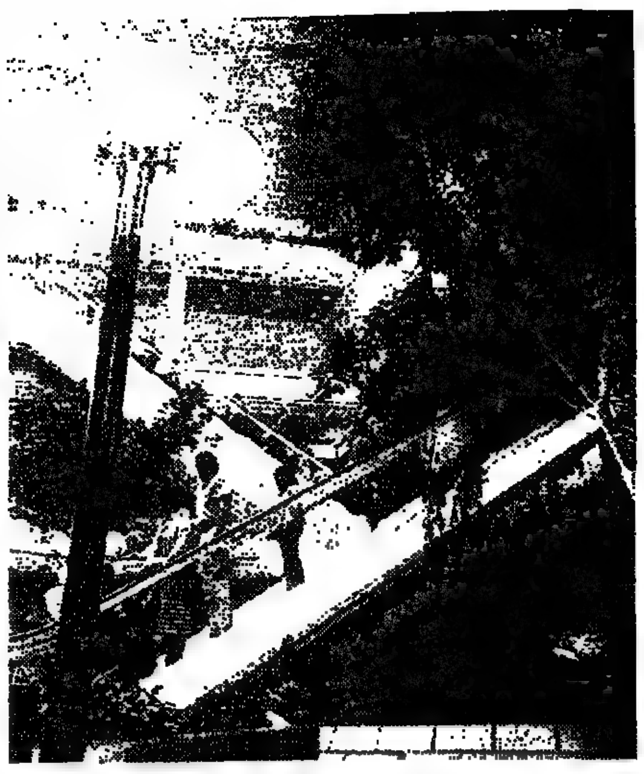
The effect of the deal for Brent Walker is to replace a liability to Lloyds Bank of £60m plus interest and potential development costs by debts of £13m and remove an asset valued at £11.2m from its balance sheet. Brent Walker shares fell ½p to 12¼p.

Under the arrangement, Power will take full control of Walker Power Corporation (WPCL) which owns the Trocadero Centre, the shopping and leisure complex in Piccadilly, and adjoining Island Site, and of Walker Power Blackpool which owns the Tower Shopping Centre in Blackpool. Power will also have a 60 per cent stake in Wilshire Centre Partners, which owns 80 per cent of Trump Wilshire Associates, which owns the Ambassador Hotel site in Los Angeles.

Brent Walker had written down the value of its Power joint ventures to £11.2m in its December 1990 accounts. The two companies have been discussing an untying of the relationship for over a year.

Power will take on £18m of Brent Walker's debt. Brent *Walker will assume a £9.5m* debt to Lloyds Bank, and will repay £3.5m to WPCL in February 1993. Brent Walker is also released from its obligations to contribute to the development costs of the properties.

Power intends to find a new joint venture partner to replace Brent Walker. It will continue to hold its 50 per cent stake in the two Walker Power ventures as long-term investments and equity account the profits. The other 50 per cent stakes will be held under current assets in the balance sheet as at March 31 1992.



The Trocadero, London, will be taken over by Power

Decline in naira checks Paterson Zochonis

By Peggy Hollinger

A SHARP fall in the Nigerian naira held back profits of Paterson Zochonis, the manufacturer of Cussons Imperial Leather soap, which yesterday reported a small advance in interim profits from £11.2m to £11.6m.

Mr Alan Whittaker, finance director, said a 40 per cent decline in the value of the naira in recent weeks had sliced more than £1m from pre-tax profits for the six months to November 30.

Profits were further depressed by a 10 per cent decline in investment income to £7.4m, due to lower interest rates.

Mr Whittaker said that in spite of the lower investment income, and barring further falls in the naira, he expected the group to report full-year profits in line with 1990's £35.4m.

The interim profits were struck on turnover up from £108.5m to £113.9m. Operating profits rose by 23 per cent to £6.03m, boosted by an improved contribution from the edible oils business in Greece and the closure of loss-making businesses in Senegal and the Ivory Coast.

Africa accounts for about 25 per cent of the group's business, and Mr Whittaker said Paterson had improved there in both volume and local currency profits. However, when the return was translated at recent exchange rates, profits had suffered.

Trading in the UK continued to be difficult, with severe pressure on both sales and margins. "It is as hard as ever as far as we are concerned," said Mr Whittaker. Nevertheless, the UK division had maintained profits.

The group ended the first half with £140m in cash and soft currency bank overdrafts of £40m.

Mr Whittaker said the group continued to look for appropriate acquisition opportunities in the soap and personal care sector.

"The problem has been that prices have been high with a high goodwill content," he said. Paterson was meanwhile concentrating on developing its existing businesses.

Earnings per share rose from 13.76p to 14.22p. The interim dividend raised from 2.15p to 2.25p.

Acquisitions provide impetus for 33% advance at Graseby

By Richard Gourlay

GRASEBY, the medical products and controls group formerly known as Cambridge Electronic Industries, yesterday reported annual profits up a third, reflecting contributions from Tace and Goring Kerr, both acquired during the year.

Pre-tax profits for 1991 rose from £7.7m to £10.3m on sales 10 per cent lower at £107.3m.

Some £3m of the £13.2m trading profits came from the five months contributions of Tace, the environmental monitoring company, and Goring Kerr, the instruments business.

Earnings per share, after exceptional costs for the rationalisation of defence businesses, were up 0.1p at 16.1p.

The final dividend is maintained at 7.6p for a same-again total of 10.9p.

Mr Paul Lester, chief executive, said the acquisitions had lived up to expectations and enabled earnings per share to be marginally increased.

The group also made an extraordinary charge of £2.56m to write off trade investments and cover the cost of closing and selling two businesses.

Shareholders' funds fell by £13.3m as a result of a £2.3m deficit for the year after dividend payments and an £11m write-off of goodwill on the acquisition of Tace and Goring Kerr. As a result gearing rose to 67 per cent.

On the trading side, the medical businesses were hit by lower NHS spending. Sales rose only 4 per cent and profits were held at about £2.8m.

Environmental and defence businesses were boosted by Gulf war related sales of chemical agent monitors which helped profits more than double from £3.07m to £6.85m on sales up 80 per cent at £40.5m.

Research and development spending rose from just over 3 per cent to 5.2 per cent of sales, or £5.6m, in addition to which the group received £2.4m of external R&D funding from the US Defense Department and the UK Ministry of Defence.

● COMMENT

Rather than being dilutive as some had feared during the takeover last year, the integration of Tace and Goring Kerr has been greatly earnings enhancing. It was a good thing too. The medical division, the old group's star performer, suffered in the second half from lower NHS spending. Further growth here in the absence of new products will be more difficult as Graseby already has such a large share of its NHS markets. The company can similarly not rely on benefiting from large one-off orders of detection instruments made during the Gulf war, although the US army could soon place another sizeable order. This year is therefore likely to be at best flat, possibly bleaker. The company will benefit from a lower tax charge this year, but it is still unlikely to make profits above £12m which would give earnings of 13.9p and a prospective multiple of 15.

Board changes at Eurocopy

BOARD CHANGES were announced yesterday at Eurocopy, the photocopier distributor which was recently the target of an Office of Fair Trading inquiry into the selling practices of some subsidiaries.

The company, which was allowed to retain its consumer credit licences after a four-month OFT inquiry, said yesterday that Mr John Bedford, the company secretary, Mr Robin Gilmore, group treasurer, and Mr Hugh Wilson, managing director of Purdie and Kirkpatrick, Eurocopy's Scottish subsidiary, would be leaving the company with immediate effect.

Purdie and Kirkpatrick, acquired in 1989, had been singled out by Sir Gordon Borrie, director general of the OFT, for special criticism in the inquiry. However, he acknowledged that Eurocopy had taken steps to reform selling practices at the subsidiary before the inquiry began.

Recovery under way as Savage makes £676,000

Savage Group, the shelving manufacturer, reported pre-tax profits of £676,000 for the half year to December 31 compared to a loss of £300,000 from continuing businesses in the equivalent period of 1990, and a total deficit in that period of £816,000.

The result included a loss of £198,000 for discontinued operations in Belgium and the Netherlands.

There were extraordinary costs of £2.58m relating primarily to the group's departure from some of its Benelux operations.

The disposals meant that interim turnover was down from £62.5m to £57.6m and net assets were down to £15.3m against £17.4m at June 30, the reduction being primarily due to the Belgian closure.

Borrowings fell to £5.8m (£7.8m), taking gearing down to 38 per cent. Operating margins improved from 2.2 per cent to 3.8 per cent.

Losses per share amounted to 0.3p (3.7p). There is no interim dividend but directors anticipated a payment later this year.

Peek falls 37% to £6.1m and sells loss-making Greenpar

By Jane Fuller

PEEK, the traffic control and field data systems group, saw pre-tax profit fall by 37 per cent, from £9.66m to £6.06m, last year.

The group is selling its loss-making Greenpar connectors business to M/A-COM of the US.

The £2m payment, plus the relief of £5m debt, is expected to leave Peek with net cash of up to £9m by the end of this month. The business has been up for sale for three years.

Mr Ken Maud, chairman, said the money would be spent *on acquisitions* to build up the core businesses, which include Husky portable computers and the monitoring of water and gas.

The group had already made one acquisition this year and was looking to build up turnover to £100m.

Group turnover grew to £84.2m (£70.7m), with traffic and field data contributing about 41 per cent each and the rest coming from connectors. Operating profit fell 29 per cent to £6.13m (£8.59m), with field data contributing more than traffic.

The figures included a £500,000 loss from connectors, compared with £500,000 profit in 1990.

Apart *from shedding* Greenpar, Peek has also withdrawn from leisure marine equipment and a health and fitness sideline of its Computer Instruments subsidiary in the US. Extraordinary costs totalled £3.3m.

Year-end cash slipped from £5.6m to £4.7m, and a small amount of interest was paid compared with about £1m received. Mr Maud said this was affected by acquisitions from Ferranti and Philips, and by the placing of a payment on deposit, with the interest to be taken later.

Earnings per share fell to 3.6p (6.4p). Mr Maud said the group was maintaining its barely covered dividend of 3.4p, *after a 2.35p final, because of* confidence in the future and strong liquidity.

Peek's share price gained 3p to close at 62p.

Trace Computers rises to £221,000

Trace Computers, the software house, reported increased pre-tax profits of £221,000 for the *six months to November* 30 1991 compared with £31,000.

Turnover slipped slightly to £9.71m (£9.95m).

Earnings per share amounted to 1.59p (0.06p) and there is a same-again interim of 0.55p.

Watmoughs slides to £8.1m

By Roland Rudd

WATMOUGHS, one of the UK's largest printers, yesterday reported a 30 per cent fall in pre-tax profits, from £11.6m to £8.1m, for 1991.

The decline was blamed on the lower volume of advertising revenues, mail order and retail sales, all of which were adversely affected by the recession.

However, the company said the decline occurred in the first half, when profits dropped to £2.6m compared with £5m last time.

A recovery was experienced in the second half, when profits reached £5.5m.

The second half figures were also lifted by the group regaining the printing contract for the Saturday Times Review after losing it temporarily in the first half.

Sales improved from £102m to £107m.

Earnings per share fell to 21.34p (32.45p) and a final dividend of 8p is recommended *making a total for the year of* 10.5p (10.25p).

The £22.3m rights issue in March was taken up by 89.8 per cent of shareholders with the balance placed with institutions. The shares yesterday rose 5p to 420p.

The cash was used for a new gravure printing facility in Spain as part of the group's expansion on in continental Europe.

Mr Patrick Walker, chairman, predicted that within three years 30 per cent of the group's sales would come from Spain, Hungary and exports from the UK.

Exports for 1991 totalled £3.7m compared with £1.6m in 1990. Capital expenditure increased to £16.8m (£13.5m).

Gearing at the year end was 30 per cent (borrowings of £19m) against 28 per cent last time.

First Maryland to raise $100m

First Maryland Bank Corp, the US arm of Allied Irish Banks, is to raise up to $100m (£57m) through the issue of subordinated notes repayable in 2002.

The proceeds will be used mainly to repay a loan to its parent bank in connection *with the acquisition* of York Trust and Bank.

The note issue application was filed with the Securities and Exchange Commission yesterday. FMB bought Pennsylvania-based York Trust from Midlantic Corp last June for $130m.

B Elliott agrees bank facility

B Elliott, the machine tool and engineering company, has reached agreement with its bankers for a revised credit facility, writes Richard Gourlay.

As part of the facility, the group has agreed to suspend all preference and convertible dividend payments.

Sir Norman Fowler, the former cabinet minister who joined Elliott as non-executive director last July, resigned on March 13.

The group, which has watched its shares fall from 80p to less than 10p in the past year, has recently been the subject of bid speculation.

Children's Medical Charity Investment

The Children's Medical Charity Investment Trust has agreed to call an extraordinary meeting to consider winding up the trust and has decided to immediately realise its assets.

The decision followed an offer of 55p per share made on behalf of Mr Andrew Perloff, a director, to acquire all the outstanding shares of the trust. Mr Perloff said that he and those deemed to be acting with him had recently increased their stake to 400,000 shares (39.9 per cent) necessitating the offer.

However, directors argued that as the net asset value was 80p per share the interests of shareholders would be best served by the voluntary winding up of the company.

Mr Perloff said he would vote against the winding up motion and it would therefore not be passed as a 75 per cent majority was needed. He added that the proposed immediate realisation of investments was not in the company's best interests.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Antofagasta ☆ ‡ ......fin	13☆	June 8	13	19	19
Celestion Inds ......fin	1.2☆	July 9	1.2	1.2	1.2
Evans Halshaw ......fin	7.65	May 15	7.65	11.25	11.25
Graseby ......fin	7.6†	May 19	7.6	10.9	10.9
Green (Ernest) §......int	2.75	May 5	2.75	-	7
Henderson High ......fin	1.4	May 19	1.3125	5.6	5.25
Paterson Zoch ......int	2.25	May 7	2.15	-	10.4
Peek ......fin	2.35†	July 3	2.35	3.4	3.4
Refuge ......fin	20☆	June 3	18.5	29	26.75
R&M American Cap ..fin	2.4	May 20	2.4	7.8	7.8
Trace Computers ....int	0.55☆	May 8	0.55	-	1.45
Watmoughs ......fin	8	May 1	7.75	10.5	10.25
Wimpey (George) ....fin	6.5	May 8	6.5	10.5	10.5

Dividends shown pence per share net except where otherwise stated. ★Gross. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Corrected.

COMPANY NEWS IN BRIEF

BRITISH DREDGING, through *its builders' merchant subsidiary*, J Thomas Edwards and Sons, has paid about £1.5m in cash to acquire 604 Building Supplies from the receivers.

CANNON STREET Investments has sold Stalbridge Kwick Klean Laundry to a new company set up by Stalbridge's management team in a *deal which cuts CSI's net* borrowings by about £5m. Cash consideration was £4.13m while Stalbridge's net borrowings were £844,000 at end of 1991.

CAPITA GROUP has acquired the international consultancy division of the Royal Institute of Public Administration for £430,000 in cash. RIPA is a leading independent supplier of public and government sector training and consultancy courses for senior officials.

CAPITAL RADIO has sold The Duke of York's Theatre to a newly-formed company controlled by, among others, Mr Eddie Kulukundis and London TurnStyle (DOY). Consideration was £2.73m in cash and the intercompany loan account of £0.32m was repaid.

HEADLAM GROUP has announced results of its placing and open offer: 8.3m new ordinary (71.5 per cent) taken up by shareholders; 2.47m (100 per cent of entitlement) taken up by directors; 3.3m otherwise placed.

HILL & SMITH Holdings is *paying up to £3.35m in loan* notes for Duct and Access Covers, a Gwent-based maker of steel manhole covers, frames and associated drainage products. Duct had net assets of £1.05m at September 30 1991.

PADANG SENANG Holdings made pre-tax profit of £97,832 (£70,166) for 1991 on turnover £406,472 (£325,590). Dividend of 0.8p (0.6p) on earnings 1.12p (0.85p).

PORVAIR has received acceptances in respect of 2.98m new ordinary shares (96.4 per cent) offered by way of rights at 115p each.

UNILEVER has bought the outstanding 50.1 per cent interest in Jalostaja Oy, Finnish food company with annual turnover of about £60m. The terms were not disclosed.

WILKES (JAMES) announced that it has exchanged contracts with Electronic Data Processing for the sale of the freehold properties, Beauchief Hall and Pegges House, Sheffield. The consideration is £1.65m cash at completion, which is expected to take place on April 10.

Decline in property markets behind losses at Wimpey

By Andrew Taylor, Construction Correspondent

THE DEEP recessions in UK and US property markets were the main reason for Wimpey's decline into the red last year. Mr Joe Dwyer, chief executive, said trading conditions in both *countries were the worst in* "living memory."

Group operating profit, before exceptional write-downs of £46.4m mainly on US and UK housing land, tumbled from £97.6m to £59.4m.

Interest charges, however, fell from £41.5m to £29.1m reflecting the group's efforts to reduce borrowings through disposals. A divisional breakdown of Wimpey's performance in 1991 showed:

● Contracting: This was the only division to record an improvement, with profits rising from £3.2m to £11.2m. This was after a £12m provision to cover its share of potential losses on the Channel tunnel construction contract.

Mr Dwyer said that he still expected to make a profit on the contract which would enable the provision to be clawed back.

Contracting profits last year were helped by a strong performance by the offshore oil and gas fabrication businesses before they were sold to a subsidiary of Odebrecht, the Brazilian construction, mining and engineering group.

At the end of last year the construction order book stood at £700m compared with £1.15bn at the end of 1990.

● Homes: Housebuilding, mostly in the UK and US, saw profits almost halve from £51.7m in 1990 to £26.2m last year. House sales in the UK rose from 6,263 to 6,380. Average prices, however, slipped from £67,200 to £65,500 as margins continued to be squeezed. Sales of homes, worldwide, fell from 8,747 to 8,061.

However, Mr Dwyer said that housing markets in the UK and in northern California and Florida had recently shown signs of improving. The group, following recent land purchases, owned 14,720 plots with planning permission in *the UK, equivalent to about 2½* years' supply at current rates of production.

● Minerals: Profits from minerals fell from £26.3m to £17.4m. Aggregate sales in the UK held up well, although prices and margins had come under pressure. US operations had suffered from the general recession in construction and also from moratoria which had been placed on infrastructure spending in a number of states.

● Property: Sales of properties helped to generate profits of £4.5m compared with £18m. More important was the impact of sales on cashflow, which was £107m to the positive last year after disposals. This enabled the company to reduce *net debt by £99m to £206.4m.*

Still to come this year is the cash from the sale for £110m of the 50 per cent stake of the Little Britain office development in central London and from the £45m sale of St Alphage House, also in central London.

The group has written down the value of its investment properties by £28m. This has been more than offset by a revaluation surplus of £45m on operational properties occupied by the group.

WIMPEY DIVISIONAL SALES AND TRADING PROFIT (£m)

	Turnover 1991	Turnover 1990	Trading profit 1991	Trading profit 1990
Homes	505.4	658.0	26.2	51.7
Contracting	777.2	917.0	11.2	3.2
Minerals	290.6	297.9	17.4	26.3
Property	40.4	54.0	4.5	18.0
Technology/other	59.6	50.1	0.1	-1.6
Total	1,753.2	1,977.0	59.4	97.6

Source: Wimpey

BOARD MEETINGS

TODAY

Interims- European Leisure, Maunders (John).

Finals- Arcolectric, Automated Security, BAT Inds, Bowthorpe, Bristol & West Building Society, Britannic Assurance, British-Borneo Petroleum, Clyde Petroleum, Law Debenture, Lionheart, Marley, Matthews (Bernard), Portals, Renold, Sanderson Murray & Elder, Schroders, Steel Burrill Jones, Trade Indemnity, Try, WSP.

FUTURE DATES

Interims-

Dowding & Mills	Apr. 9
Frogmore Estates	Mar. 25
Select Appointments	Mar. 19
Sentry Farming	Mar 27
Town Centre Securities	Mar. 25
Trio Investment Trust	Mar. 20
Wolseley	Mar. 24

Finals-

Alexon	Mar. 30
Aran Energy	Mar. 23
Clarkson (Horace)	Mar. 26
Fortnum & Mason	Apr. 9
Laporte	Mar. 24
London & Manchester	Apr 2
Micro Focus	Mar. 25
Savoy Hotel	Apr. 15
Secure Trust	Mar. 28
Weir	Mar. 26
Woodchester Invs	Mar. 23

BANK OF TOKYO GROUP

THE BANK OF TOKYO GROUP continues to provide our clients with a range of high quality services in the field of Corporate Finance on a global basis. Our goal is to gain the confidence of our clients and to build up and maintain a lasting business partnership. Integrity in all our transactions is our highest priority.
Shown below are examples of transactions the Bank of Tokyo Group has carried out on behalf of clients. For more detailed information about our range of services, please contact any of the Bank of Tokyo Group offices listed below.

GLOBAL CORPORATE FINANCE IN 1991

M & A

KOSÉ Corporation has acquired the manufacturing and distribution rights in Japan under the Maybelline trademarks
The Undersigned acted as financial advisors to KOSÉ Corporation
The Bank of Tokyo, Ltd.
The Bank of Tokyo Trust Company

Meiji Seika Kaisha Ltd. has acquired a majority interest in Tedec Zambeletti S.A.
The Undersigned acted as financial advisor to Meiji Seika Kaisha Ltd.
The Bank of Tokyo, Ltd.

Omron Corporation has participated in the MBO of Sweda de Mexico S.A.
The Undersigned acted as financial advisors to Omron Corporation
The Bank of Tokyo, Ltd.
The Bank of Tokyo Trust Company

Toho Mutual Life Insurance Co. has acquired a minority interest in Banco Español de Crédito S.A.
The Undersigned acted as financial advisor to Toho Mutual Life Insurance Co.
The Bank of Tokyo, Ltd.

Teijin Seiki Co., Ltd. has acquired Quincy Technologies, Inc. The Harmonic Drive Division
The Undersigned acted as financial advisors to Teijin Seiki Co., Ltd.
The Bank of Tokyo, Ltd.
The Bank of Tokyo Trust Company

CCI Acquisition Inc. has acquired Consoltex Canada Inc.
The Undersigned acted as financial advisors and arrangers to CCI Acquisition Inc.
Bank of Tokyo International Limited
The Bank of Tokyo, Ltd.

London Jazz Radio plc Refinancing and Recommended Offer by Golden Rose Communications plc
The Undersigned acted as financial advisor to London Jazz Radio plc
Bank of Tokyo International Limited

Berwick Street Studios Reconstruction and New Equity
The Undersigned acted as financial advisor to Berwick Street Studios
Bank of Tokyo International Limited

Meade Holding Corporation has acquired Meade Instruments Corporation
The Undersigned acted as financial advisor to Meade Holding Corporation
Union Bank

Tatsumiya Kogyo Co., Ltd. has increased its holdings in Automotive Distributors Ltd.
The Undersigned acted as financial advisor to Tatsumiya Kogyo Co., Ltd.
The Bank of Tokyo, Ltd.

Kirii Construction Materials Co., Ltd. has acquired Studco of Hawaii Inc.
The Undersigned acted as financial advisor to Kirii Construction Materials Co., Ltd.
The Bank of Tokyo, Ltd.

LEASE

U.K. Equipment Lease *of* ND Marston Ltd.
The Bank of Tokyo, Ltd. acted as financial advisor to Nippondenso Co., Ltd.

U.K. Equipment Lease *of* Asahi Triefus Plc (Subsidiary of Asahi Diamond Industrial Co., Ltd.)
Arranged by Bank of Tokyo International Limited

U.S. Equipment Lease *of* Union Special Corporation (Subsidiary of JUKI Corporation)
Arranged by BOT Financial Corporation

U.S. Equipment Lease *of* Kintetsu World Express, Inc.
Arranged by BOT Financial Corporation

I.R. BOND

California Statewide Communities Development Authority *Industrial Development Bond*
Caltac & Jae Co., Ltd. (Subsidiary of Caltac Corporation)
Arranged by Union Bank under "Bonds for Industry Program"

Buncombe County Industrial Facilities & Financing Authority Industrial Revenue Bond
Rich Mount Inc. (Subsidiary of Sanko Gosei Limited)
Arranged by The Bank of Tokyo Trust Company

AIRCRAFT LEASING

Delta Air Lines, Inc.
Four McDonnell Douglas MD-88 Aircraft U.S. Leveraged Lease
Lessors *Union Bank & others*
Equity Arranged by BOT Financial Corporation

American Airlines, Inc.
McDonnell Douglas MD83 Aircraft Japanese Leveraged Lease
Lessor *BOT Lease Co., Ltd.*
Lender The Bank of Tokyo, Ltd.
Arranged by BOT Financial Corporation

Thai Airways International Ltd.
McDonnell Douglas MD11 Aircraft Debt Financing of Japanese Leveraged Lease
Arranged by BOT International (H.K.) Limited and other financial institutions

United Airlines, Inc.
Boeing 737-500 Aircraft Japanese Leveraged Lease
Lessor BOT Lease Co., Ltd.
Lender Banque Nationale de Paris
Arranged by BOT Financial Corporation

Japan Airlines Co., Ltd.
Boeing 747-400 Aircraft (Sky Cruiser) Japanese Leveraged Lease
Arranged by BOT Lease Co., Ltd. and other leasing companies

Qantas Airways Limited
Boeing 747-400 Aircraft (City of Dubbo) Australian Leveraged Lease
Arranged by Meridian International Capital Ltd.
Equity Marketing advised by The Bank of Tokyo, Ltd.

Aer Lingus, PLC
Boeing 767-300ER Aircraft Operating Lease
Debt Arranged by BOT Financial Corporation Bank of Tokyo International Limited
Transaction Arranger GPA Capital
Agent Bank of Tokyo International Limited

ASSET BASED FINANCING

China International Iron and Steel Investment Corporation *Meishan Metallurgical Project*
China
Shanghai Meishan Metallurgical Corporation
The Bank of Tokyo, Ltd. acted as Agent and Lead Manager

Korea No. 1 LNG Carrier
Korea
Korea Gas Corporation
Hyundai Merchant Marine Co., Ltd.
The Bank of Tokyo, Ltd. acted as Arranger & Lead Manager

Hawthorne Retail Center Project
Sanyo Holdings USA Inc. and CIP Development, Inc. formed San Diego Hawthorne Center, a California Limited Partnership
United States
The Bank of Tokyo, Ltd. and Union Bank acted as Arrangers

River Estate Residential Project
Mitsutomi California, Inc. and Kirk Development, Inc. formed River Estate I, a California Limited Partnership
United States
Bank of Tokyo, Ltd. and Union Bank acted as Arranger & Financial Advisor

Oxbow Power Cogeneration Project
United States
Oxbow Power Corporation
BOT Financial Corporation acted as Co-Agent

Campo De Las Naciones Project
Spain
Shimizu Corp.
The Bank of Tokyo, Ltd. acted as Lead Manager

Bosphorus Hotel Project
Turkey
Anadolu Japan Turizm A.S.
The Bank of Tokyo, Ltd. acted as Lead Manager

Parkview Tower *1133 Pacific Boulevard* at Pacific Place Project
Canada
Concord Pacific Developments, Ltd.
The Bank of Tokyo Canada acted as Fund Provider

Arun Aromatics Project
Indonesia
Pertamina
Mitsui & Co., Ltd.
The Bank of Tokyo, Ltd. acted as Lead Manager

CONSULTING SERVICES

Kyushu International Investment Seminar
Sponsored by The Kyushu Industrial Location Promotion Council
The Bank of Tokyo, Ltd. acted as Advisor and Coordinator

Promotion of Foreign Investment in Chiba Prefecture
Sponsored by Chiba Prefecture
The Bank of Tokyo, Ltd. acted as Exclusive Advisor

Tourist Development Corporation of Malaysia
Malaysia
The Bank of Tokyo, Ltd. acted as Tourism Development Advisor

Establishment of the French and German Subsidiaries of NTT Group
The Bank of Tokyo, Ltd. acted as Coordinating Advisor

Prince Center Jakarta Project
The Kyoei Life Insurance Co., Ltd. Jakarta Office Building
Indonesia
The Bank of Tokyo, Ltd. acted as Arranger

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COMMODITIES AND AGRICULTURE

BP negotiating Azeri oil deal

By Jim Bodgener in Azerbaijan

BRITISH Petroleum is negotiating with Azerineft, Azerbaijan's state oil company, to develop a major offshore oilfield in the Caspian Sea, Mr Ali-Zade Sanan, Azerineft's president said.

Mr Ali-Zade said the two companies could reach an agreement on production-sharing by the end of the year. The field is believed to be the Capaz field close to the Turkmenian part of the Caspian Sea.

BP said it was currently pursuing a number of opportunities in the region, but that it was too early to comment on any of them.

The company is involved with a consortium headed by Amoco, the US oil major, which has been awarded a feasibility study for the Azeri field in the Caspian Sea. Mr Ali-Zade said the other field over which BP was in discussions had similar potential to the Azeri development which could cost between $3bn and $5bn.

Mr Ali-Zade said that the Azeri field was still on course for development in spite of political disturbances. The Azeri project is a joint venture, but Mr Ali-Zade said BP's new discussions are centred on production-sharing arrangements.

A month ago, Elf Aquitaine, the French oil company, became the first western oil firm to sign a production-sharing arrangement with the Russian government. The company followed it with a similar agreement with the government of Kazakhstan.

Opec needs to cut output further, analysts say

By Deborah Hargreaves

OIL PRICES could remain stuck at current low levels or even slide further without more decisive action by members of the Organisation of Petroleum Exporting Countries, many market observers believe.

Traders felt that Opec's decision at its February meeting to cut just over 1m barrels a day from production was not sufficient to lend much strength to prices during the second quarter.

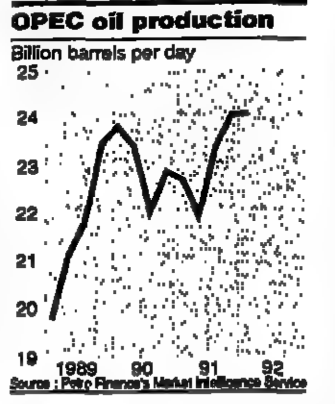
Now those output cuts are beginning to feed through to the market and volumes for sale show that not all countries are sticking by the agreement. So far the modest production cuts have not been enough to raise prices, but just enough to keep them in a steady range.

"Opec countries would all like to see prices $1 to $2 higher but the key players are not prepared to take further action to achieve that," said Mr Joe Stanislaw, industry consultant at Cambridge Energy Research Associates in Paris.

North Sea Brent crude oil has shown some strength in the last couple of days as traders have seen Saudi Arabia making a clear effort to cut its deliveries. But at $17.80 a barrel, Brent for May delivery is only 30 cents higher than its level following February's Opec meeting, when it lost almost $1 a barrel.

Crude buyers say that they have seen Saudi Arabia cutting back on any extra oil sales this month and restricting customers to existing contract levels. Most observers believe that the kingdom has cut production by some 400,000 b/d to 500,000 b/d down to a level of 8m b/d – just above its allocation under the Opec agreement.

OPEC oil production



Source : Petro Finance's Market Intelligence Service

The kingdom has been joined by Abu Dhabi which is reported to have cut by some 200,000 b/d and belatedly, by Nigeria where officials are trimming output for April.

This has led to a production decline for Opec of about 750,000 b/d – still slightly short of the organisation's target of just over 1m b/d.

Iran has been forced to reduce its deliveries by bad weather at the Kharg Island terminal – its main loading point – where tankers are reported to be backed up. This has led to a drop in Iranian oil in the market for April, but many observers expect that, once the weather improves, Tehran will return to full production.

Mr Stanislaw believes that, for prices to rise, Opec will have to slash its output by at least another 1m b/d. But oil ministers are currently unwilling to give up that much volume.

Since Opec's new production regime is based more on capacity than historical quotas, countries could be resisting cuts now in order to gain higher production allocations in future agreements.

"If you assume Iraq will be out of the market until after the US election, you have a couple of months of pain and then it all comes back for them," said one market observer. Demand for Opec oil will begin to pick up later in the year, as buyers begin to build stocks in advance of the western winter.

But the organisation could still face some tense negotiating at its meeting on April 24 when Saudi Arabia will resist calls from smaller producers to cut below 8m b/d. The kingdom is unwilling to shoulder the burden of production cutbacks without at least some token action by all other producers.

Mobil may sue over drilling bans

MOBIL, the second largest US oil company, is threatening to sue the US government for preventing it from drilling for oil on tracts of land in Florida and North Carolina for environmental reasons, writes Deborah Hargreaves.

The company said it could lead a whole pack of lawsuits by the US oil industry where companies have paid over $1bn for drilling acreage, only to have any activity blocked by the administration.

"The basis of our suit would be that we paid good money for this land and at the very least, the government owes us that money back, plus interest," said Mr Allen Murray, Mobil Corporation's chairman. He said the company could also push for compensation for the value it could have gained *from oil drilling on the land.*

The US government is refusing to open up many sensitive environmental areas for oil exploration under pressure from a strong green lobby. The policy has pushed all the US majors to expand exploration overseas.

EC likely to roll over farm prices

By David Buchan in Brussels

MR RAY MacSharry, the *European Community's* agricultural commissioner, is today expected to announce a simple roll-over of existing farm prices for 1992-93.

The only proposed cuts likely to emerge from today's commission meeting on the price-fixing are those resulting *automatically from the stabiliser* system agreed in 1988.

Last year's harvest totalled 169m tonnes (180m, if eastern Germany is counted), well in excess of the set threshold of 160m, and will therefore trigger a 3 per cent price cut, plus an extra 3 per cent on top of the *existing 5 per cent co-responsibility* levy.

Officials say cereal stocks are up from 10m tonnes last year to 18m tonnes and could reach 30m by 1993. There are also more than 500,000 tonnes each of beef and dairy produce in EC storage. With such surpluses, *Mr McSharry thinks he* would be justified in seeking cuts in guaranteed farm prices. But he would prefer to concentrate attention on farm policy reform, made urgent by the Gatt negotiations.

Meanwhile, a Gatt panel this week issued a preliminary ruling on the US complaint about EC support for soyabeans. The EC has already changed its soya support system once, in 1989 following a Gatt decision on a similar US complaint. Gatt is keeping its latest decision confidential, allowing both parties time to respond.

Gold price slide continues

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE plunged again yesterday to the lowest level for nearly six years, wilting under steady selling pressure for the second successive day in a market with few buyers.

"Someone had to raise dollars for gold and was taking little account of the condition of the gold market. It wasn't a large amount of gold but in these quiet markets the selling had a disproportionate impact," said Mr Andy Smith, analyst at the Union Bank of Switzerland. The effect was compounded by the behaviour of computer-driven US funds.

Gold tumbled to $336.75 a troy ounce in early afternoon trading in London yesterday, its lowest since June, 1986. It closed at $339.40, down $3.80. Since Monday morning gold had therefore lost 2 per cent of its value.

On the New York Commodity Exchange the most-active April contract saw gold at $337.30 at the opening and back up to $339.40 by midday.

Dealers guessed the selling might have been by an east European central bank outside the former Soviet Union or by a South African producer ahead of its financial quarterly results and amid the nervousness associated with that country's referendum.

Demand for gold is usually subdued at this time of year during the Islamic holy month of Ramadan, which in 1992 runs between March 6 and April 6, and when the market has emerged from the periods of peak consumption: Christmas in the west and the Chinese New Year.

Mr Smith said US funds had sold a good deal of gold short (sold metal they did not have in the expectation that they could buy it later at a lower price) and would want to lock in their profit of about $10 an ounce. This would result in a short-term price recovery.

If there was also a "no" vote in the referendum in South Africa, the world's biggest gold producer, raising the possibility of civil unrest, "then watch the price take off", Mr Smith added.

Breaking the ice over Canada's frozen assets

Kenneth Gooding on plans to develop a rich zinc-copper deposit in the Northwest Territories

AVAILABILITY OF Russian ice-breaking ships, the biggest in the world, able to force their way through ice a metre thick and topped with 40 centimetres of snow, has changed the outlook for Izok Lake, one of the largest undeveloped base metals deposits in North America.

No other known zinc-copper deposit in the world has better grades (metal per tonne of ore) than Izok Lake, according to Mr Klaus Zeitler, president of Metall Mining, a subsidiary of Metallgesellschaft of Germany. But its location, in the frozen wastes of the Artic circle in Canada's Northwest Territories, has held back development for about 20 years.

Russian ice-breaking ships could move concentrates from the Arctic for two to three months of the year

There seemed to be no economic way of transporting Izok Lake concentrates (an intermediate material) to smelters at least 3,000 miles away in more salubrious climates.

The Russian ice-breaking ships, more than 15 of them built in the former East Germany or Finland, could solve the problem because they could move concentrates from the Artic for two or three months a year, says Mr Zeitler. Since the break-up of the former Soviet Union the Russians have been very interested in doing business.

His company is paying C$15m (£7.3m) to acquire a 40 per cent interest in Izok Lake from Minnova, a mining company ultimately owned by the Noranda, Canada's biggest natural resources group.

Last November Minnova paid US$20m and a royalty to Falconbridge for Izok Lake and two other properties in the Northwest Territories. Falconbridge sold because it wanted to focus on its nickel projects and already faced heavy capital expenditure on those.

Mr David Watkins, Minnova's president, reckons that Izok Lake would cost C$300m to develop.

Metall Mining's Mr Zeitler says that Izok Lake has up to 20m tonnes or ore containing 14.4 per cent zinc and 3.2 per cent copper. There is also some lead and silver.

He suggests that, although the expected tonnage from an open pit mine would not be huge – about 400,000 tonnes a year, or half that of the Red Dog zinc-lead mine in Alaska – the grades would ensure production of concentrates containing 120,000 to 130,000 tonnes of zinc a year and 30,000 tonnes of copper.

Mr Zeitler recalls that 15 years ago Metall's first Canadian project was the Nanisivik zinc mine on Baffin Island. "At the time the big Canadian companies shied away from involvement in the Artic because of the perceived transportation difficulties. But Nanisivik has been a full technical, logistical and financial success," he says.

Izok Lake is 90 km (56 miles) away from Lupin, an underground gold mine owned by Echo Bay Mines. Mr Zeitler suggests Lupin may benefit if Izok Lake is developed. Echo Bay, one of North America's biggest gold producers, delivers essential supplies to Lupin over a 500 km ice road from Yellowknife, capital of the Northwest Territories. This road is available only three months a year. If Lupin was to share the same infrastructure as Izok Lake it could build its ice road northwards for 300 km and have it open for five months, Mr Zeitler suggests.

He says: "Over the past 20 years the mining industry has gained a great deal of knowledge about the Artic. Based on this expertise and today's technology, I believe that Izok Lake's time for development has come".

Russia caves in on aluminium duties

By Kenneth Gooding

ALUMINIUM PRODUCERS braced themselves for another wave of exports from Russia after it became clear yesterday that the Russian government had caved in completely to demands from its domestic industry.

Russian aluminium producers, who brought in well over $1bn of desperately-needed foreign currency in 1991, had threatened to shut down some capacity unless changes were made to export duties and other regulations imposed at the beginning of this year.

The Interfax news agency reported from Moscow yesterday that the Russian government had ordered 615,000 tonnes of primary aluminium "to be set aside for export in 1992". Aluminium exports were freed from all duty and producers no longer had to sell part of their hard currency income to the Russian central bank.

This news was greeted with dismay by the western industry, particularly European producers who, through the European Commission, have been attempting to work out a formula to cut exports without damaging the Russian industry. These efforts followed last year's jump in exports from the former Soviet Union to the west to between 500,000 tonnes and 1m tonnes, effectively adding about 10 per cent to supply.

Yesterday's news was "an indication that the flood gates are about to open again", said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group. Although the market had been expecting something of the sort – Billiton had estimated Russian exports would be 600,000 tonnes this year – "it shows we are in for a prolonged period of low aluminium prices when many producers will be suffering losses".

Mr MacMillan added: "Russia will be a large net exporter of aluminium for some years".

Russia imposed a duty of 500 Ecus (£355) a tonne on aluminium exports in January but cut it four times before removing it entirely. Aluminium producers were also previously obliged to sell to the central bank 40 per cent of their hard currency earnings. Interfax said the aluminium exports would help Russia buy raw materials from the west.

● A barter deal with Ukraine has rescued a financially troubled, 25,000 tonnes-a-year Hungarian aluminium plant from closure, according to the MTI-Econews agency, reports Reuter from Budapest. Primary aluminium will be delivered in return for electricity at a 30 per cent discount.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,720 (1,640-1,720).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.50-3.00 (2.40-2.90).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.90-1.10 (1.00-1.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 28.50-29.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.15-2.23 (2.18-2.23).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.15-2.30 (2.20-2.35).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+7,575	to 1,143,950
Copper	+1,125	to 303,100
Lead	−350	to 134,325
Nickel	+252	to 24,525
Zinc	+2,850	to 214,275
Tin	−120	to 12,135

WORLD COMMODITIES PRICES

MARKET REPORT

SILVER futures were lower at midday on Comex and analysts were predicting further falls. They said that high supplies had undermined sentiment. Comex warehouse silver stocks have reached a record 283,725,234 ounces, besting the peak set on March 6. Nymex **PLATINUM** futures remained lower at midsession amid expectations that South Africa's whites would approve the referendum on political reform, analysts said. That would greatly decrease chances of civil strife and a disruption of output and exports from South Africa, the major platinum producer. Market perceptions of slackening Japanese demand for platinum also weighed on sentiment. On the LME three-month **COPPER** bounced off downside support around $2,220 a tonne again, and pushed up in afternoon trading, albeit in thin volume, to challenge the highs of the current trading band. News that February US housing starts rose by 9.3 per cent was particularly supportive. Three-month copper traded last at $2,239. **LEAD** was aided by news that Nuova Samin's Porto Vesme lead smelter will be closed for 25 days for routine maintainance. **TIN** closed higher despite talk of fresh arrivals of quality Brazilian metal.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.75z	+.125
Brent Blend (dated)	$17.75-7.80	+.075
Brent Blend (May)	$17.90-8.00	+0.10
W.T.I. (1 pm est)	$19.40-9.43z	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-200	+1.5
Gas Oil	$162-163	
Heavy Fuel Oil	$74-76	-2
Naphtha	$171-172	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$339.40	-3.8
Silver (per troy oz)♣	405.0c	-4
Platinum (per troy oz)	$355.75	-3.5
Palladium (per troy oz)	$84.00	-0.25
Copper (US Producer)	104.96	-0.02
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.11r	+0.03
Tin (New York)	261.5c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.98p	+0.41*
Sheep (live weight)†♠	109.58p	+0.75*
Pigs (live weight)†	94.01p	+1.11*
London daily sugar (raw)	$213.1v	+1.8
London daily sugar (white)	$270.5v	+0.5
Tate and Lyle export price	£231.0	
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	53.50p	-0.25
Rubber (May)♥	53.75p	-0.25
Rubber (KL RSS No 1 Mar)	212.0m	+1
Coconut oil (Philippines)§	$657.5y	
Palm Oil (Malaysian)§	$395z	-5
Copra (Philippines)§	$450.0w	-15
Soyabeans (US)	£158.0q	
Cotton "A" index	54.65c	+0.25
Wooltops (64s Super)	489p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar. t-Jun/Jly. u-Jan/Mar. v-Apr/May. y-Feb/Mar. w-Apr. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	184.20	186.60	187.00 183.00
Aug	188.40	189.00	189.00 187.00
Oct	189.60	190.00	189.60 189.60
Dec	189.00		183.00
White	**Close**	**Previous**	**High/Low**
May	268.3	268.40	267.5 264.2
Aug	268.3	270.00	263.5 267.8
Oct	260.0	262.50	261.5 258.8
Mar	253.0	265.40	252.5 251.1

Turnover: Raw 222 (224) lots of 50 tonnes. White 752 (772)
Paris- White (FFr per tonne): May 1432.88 Aug 1524.18

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
May	17.86	17.84	17.98 17.77
Jun	17.95	17.92	18.08 17.86
Jul	17.91	17.99	17.98 17.85
Aug	17.95	17.91	17.84
Sep	17.98		17.98
Oct	18.00	17.95	18.00 17.85
Nov	18.00		17.85
IPE Index	17.82	17.83	

Turnover 14614 (23520)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Apr	161.50	161.50	162.00 160.50
May	163.75	163.25	164.00 162.50
Jun	165.75	165.00	165.75 164.50
Jul	167.50	167.00	167.50 166.00
Aug	169.50	168.75	169.50 168.00
Sep	171.00	170.50	170.25 170.00
Oct	172.75	172.50	172.75 172.00
Nov	174.50	173.00	174.50 173.00

Turnover 8338 (8024) lots of 100 tonnes

JUTE
C and I Dundee: BTC $385, BWC $ n/a, BTD $360, BWD $ n/a, c and I Antwerp BTC $370, BWC $370, BTD $360, BWD $350.

COTTON
Liverpool - Spot and shipment for the week ending 13 March amounted to 22 tonnes against 208 tonnes in the previous week. Selling occurred mainly in central Asian growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	652		653 651
May	673	673	674 669
Jul	702	701	702 697
Sep	728	728	727 724
Dec	761	762	761 757
Mar	792	795	792 790
Sep	851	852	850

Turnover: 2901 (1580) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 16 828.88 (829.21) 10 day average for Mar.17 830.02 (832.69)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Mar	831	826	831 826
May	846	845	850 841
Jul	868	864	868 860
Sep	890	884	887 880
Nov	905	907	906 905
Jan	927		925

Turnover:2042 (2427) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar.16: Comp. daily 57.01 (57.24) 15 day average 55.53 (55.26)
Sterling close: March 0484

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	114.0	114.5	114.5 113.5
May	133.2	134.0	133.5 133.0
Apr	127.2	128.0	127.4 127.1

Turnover 90 (141) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	124.20	125.50	124.20 124.00
Aug	126.50		127.00 126.50
Oct	129.20	130.50	129.50 129.00

Turnover 625 (26) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Mar	1235	1223	1240 1223
Apr	1230	1263	1290 1268
May	1272	1242	1272 1250
Jul	1130	1115	1130 1118
Oct	1275	1253	1275 1259
Jan	1300	1285	1305 1300
BFI	1215	1220	

Turnover 222 (169)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	128.05	127.30	128.05 127.30
Jun	129.85		129.85 129.15
Sep	113.80	113.30	113.80 113.50
Nov	116.90	116.45	116.90 116.65
Jan	120.65	120.30	120.65 120.50
Barley	**Close**	**Previous**	**High/Low**
May	117.50	117.15	117.50 117.25
Sep	109.15		109.15 108.75
Nov	112.85		112.85 112.75
Jan	116.75		116.75 116.45

Turnover: Wheat 216 (70), Barley 78 (0)
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	123.0		122.4 121.5
Apr	123.0	121.0	122.5 112.0
May	125.0		120.0 119.7
Jun	117.0	117.0	117.0 116.8
Aug	109.0		109.0 108.8
Sep	111.0	117.0	110.5 110.0
Oct	111.0		110.5 110.5

Turnover 74 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 37,399 lots	
Cash	1267.5-8.5	1265-6	1261.5	1261.5-2		
3 months	1294-5	1291-2	1304/1287	1287.5-8	1303-4	164,720 lots
Copper, Grade A (£ per tonne)					Total daily turnover 25,257 lots	
Cash	1275-6	1290-2	1280/1275.5	1275-6.5		
3 months	1304-5	[illegible]	1312/1308	1305.5-6.5	1311-2	114,035 lots
Lead (£ per tonne)					Total daily turnover 3,069 lots	
Cash	301-2	299-9.5	298.5	298.5-9		
3 months	312.5-3.5	310.5-0.75	315/309	309.5-10	315-6	16,661 lots
Nickel ($ per tonne)					Total daily turnover 5,711 lots	
Cash	7405-10	7425-30	7400/7380	7380-5		
3 months	7485-90	7511-16	7515/7455	7475-80	7485-90	23,008 lots
Tin ($ per tonne)					Total daily turnover 1,190 lots	
Cash	5630-40	5590-600		[illegible]-10		
3 months	5665-70	5630-40	5675/5625	5642-5	5650-60	5,651 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 16,169 lots	
Cash	1225.5-6.5	1221-2		1221.5-2		
3 months	1234-5	1229-30	1237/1230	1230-30.5	1236-7	50,644 lots

LME Closing £/$ rate: SPOT: 1.7315 3 months: 1.7055 6 months: 1.6824 9 months: 1.6624

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	339.20-339.60	
Opening	343.60-343.90	
Morning fix	343.35	198.606
Afternoon fix	339.00	195.761
Day's high	343.90-344.30	
Day's low	336.60-337.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.67	6 months	3.81
2 months	3.67	12 months	3.94
3 months	3.69		

Silver fix	p/fine oz	US cts equiv
Spot	234.20	404.30
3 months	240.30	408.55
6 months	245.80	413.60
12 months	256.80	424.60

GOLD COINS

	$ price	£ equivalent
Krugerrand	338.00-340.00	197.00-199.00
Maple leaf	352.00-354.00	203.00-205.00
New Sovereign	82.00-84.00	48.00-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1250	60	72	22	28
1350	15	26	78	80
1450	3	7	164	160
Copper (Grade A)	**Calls**		**Puts**	
2150	84	90	9	16
2250	24	33	48	57
2350	4	8	128	131
Coffee	**May**	**Jul**	**May**	**Jul**
800	53	81	5	15
850	20	51	22	33
900	5	30	57	62
Cocoa	**May**	**Jul**	**May**	**Jul**
700	8	33	38	21
725	4	24	57	34
750	2	17	79	65
Brent Crude	**May**	**Jun**	**May**	**Jun**
1750	53		21	42
1800	26	53	42	65
1850	13	40	78	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	340.6	343.9	341.0	337.3
Jun	342.9	346.2	343.3	339.0
Aug	345.2	348.5	345.5	341.5
Oct	347.6	350.9	347.2	343.5
Dec	350.2	353.5	350.0	346.0
Feb	352.8	356.1	350.5	348.0
Apr	355.5	358.8	354.5	352.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	352.6	360.5	357.0	352.1
Jul	351.6	359.5	359.0	352.0
Oct	354.6	362.0	358.0	353.0
Jan	354.6	362.0	357.0	356.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	404.7	406.2	405.5	400.0
Apr	405.6	407.2	0	0
May	407.0	408.7	407.5	402.5
Jul	410.2	412.0	411.0	405.0
Sep	414.1	415.9	414.0	410.0
Dec	420.1	421.8	420.0	415.0
Jan	421.9	423.6	0	0
Mar	426.5	428.2	427.5	423.0
May	431.3	433.0	431.5	430.0
Jul	436.1	437.8	435.5	431.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	102.00	101.10	102.00	100.90
Apr	102.00	101.00	102.00	102.00
May	101.90	100.90	102.00	100.60
Jun	101.70	100.70	102.80	100.50
Jul	101.50	100.60	101.60	100.40
Aug	101.30	100.50	101.15	100.50
Sep	101.30	100.35	101.20	100.20
Oct	101.15	100.20	0	0
Nov	101.10	100.15	0	0
Dec	100.95	100.00	100.70	100.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	19.24	19.15	19.35	19.05
May	19.35	19.25	19.50	19.18
Jun	19.41	19.37	19.52	19.27
Jul	19.41	19.38	19.50	19.30
Aug	19.39	19.36	19.45	19.28
Sep	19.30	19.33	19.38	19.25
Oct	19.26	19.29	19.30	19.20
Nov	19.21	19.26	19.22	19.20
Dec	19.21	19.24	19.22	19.20
Jan	19.16	19.23	19.19	19.08

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	5413	5365	5420	5330
May	5343	5320	5345	5275
Jun	5301	5290	5310	5250
Jul	5314	5310	5320	5275
Aug	5374	5370	5400	5360
Sep	5494	5490	5495	5450
Oct	5569	5595	5590	5560
Nov	5694	5690	5705	5670
Dec	5759	5785	5800	5740
Jan	5819	5815	5820	5815

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1057	1061	1065	1053
Jul	1094	1099	1103	1092
Sep	1130	1135	1140	1134
Dec	1174	1180	1177	1175
Mar	1214	1220	0	0
May	1239	1245	0	0
Jul	1271	1277	0	0
Sep	1297	1303	0	0
Dec	1332	1338	1335	1335

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	72.25	72.55	72.75	72.25
May	72.85	73.40	73.70	72.60
Jul	74.75	75.15	75.65	74.70
Sep	77.20	77.45	77.95	77.10
Dec	80.60	81.10	80.75	80.60
Mar	84.25	84.70	83.75	83.75
May	89.25	88.00	86.25	86.25
Jul	90.65	91.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.33	8.43	8.45	8.22
Jul	8.41	8.50	8.50	8.33
Oct	8.48	8.56	8.58	8.43
Mar	8.64	8.69	8.70	8.57
May	8.69	8.71	0	0
Jul	8.75	8.78	8.75	8.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	54.94	55.35	55.80	54.75
Jul	56.54	56.86	57.26	56.50
Oct	59.00	59.30	59.45	58.95
Dec	59.60	59.80	60.10	59.55
Mar	61.10	61.30	61.55	61.10
May	61.65	61.85	62.00	61.65
Jul	62.20	62.40	62.70	62.40

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	145.00	144.00	144.50	143.60
May	145.65	144.50	146.80	144.50
Jul	143.10	141.90	143.60	142.30
Sep	134.65	134.00	135.40	133.75
Nov	126.20	125.55	126.25	125.75
Jan	125.00	124.80	125.20	124.80
Mar	124.75	124.75	0	0
May	124.75	124.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.17	Mar.16	mnth ago	yr ago
1620.3	1623.1	1586.0	1700.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.16	Mar.13	mnth ago	yr ago
Spot	117.70	118.11	-	125.83
Futures	122.45	122.27	-	126.85

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel.

	Close	Previous	High/Low	
Mar	588/6	585/6	589/0	586/2
May	595/2	592/4	595/6	591/6
Jul	604/4	602/2	605/0	601/2
Aug	608/0	605/6	608/4	606/0
Sep	610/4	608/6	611/0	608/4
Nov	618/6	616/4	619/0	615/2
Jan	626/6	624/4	627/0	623/4
Mar	634/0	634/4	635/4	632/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.34	20.54	20.49	20.25
May	20.56	20.73	20.70	20.46
Jul	20.87	21.03	20.99	20.76
Aug	21.03	21.16	21.12	20.95
Sep	21.14	21.36	21.25	21.12
Oct	21.26	21.47	21.36	21.20
Dec	21.62	21.76	21.75	21.60
Jan	21.62	21.90	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	175.1	175.3	176.0	174.4
May	177.2	176.6	177.8	176.5
Jul	178.5	179.2	180.3	179.2
Aug	180.5	180.1	181.2	180.1
Sep	182.3	181.4	182.5	181.4
Oct	196.3	195.2	196.8	195.8
Dec	198.1	197.2	198.3	197.5
Jan	198.5	196.0	198.5	198.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	263/2	261/6	264/2	261/6
May	270/0	269/2	272/0	269/4
Jul	275/4	274/6	277/6	275/0
Sep	269/6	268/6	270/6	269/0
Dec	265/6	264/2	266/4	264/4
Mar	272/6	271/0	273/0	271/4
May	276/4	274/6	277/0	276/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	396/0	392/0	398/0	394/4
May	387/2	384/0	389/2	385/4
Jul	371/4	371/2	379/0	371/0
Sep	374/4	375/2	379/2	374/4
Dec	384/0	384/0	387/4	384/0
Mar	385/4	385/0	389/0	385/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.025	78.675	79.000	77.650
Jun	73.560	74.150	74.400	73.000
Aug	69.525	70.250	70.500	69.300
Oct	69.350	69.625	69.975	68.950
Dec	69.475	70.000	70.100	69.100
Feb	68.850	69.275	69.900	68.700
Apr	69.860	70.150	70.250	69.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.625	40.825	40.750	40.300
Jun	46.100	46.250	46.400	45.750
Jul	45.750	45.725	45.925	45.400
Aug	44.175	44.075	44.400	44.000
Oct	41.125	41.250	41.250	41.150
Dec	42.775	42.600	42.850	42.400
Feb	43.625	43.425	43.850	43.400
Apr	42.250	42.200	42.350	42.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	35.700	35.275	35.850	34.750
May	36.550	36.400	36.650	35.650
Jul	37.250	37.050	37.550	36.625
Aug	35.450	35.625	35.800	34.925
Feb	47.100	46.250	47.850	46.900
Mar	47.550	46.200	47.550	47.300
May	50.000	50.000	0	0

LONDON STOCK EXCHANGE

Bank merger dominates share trading

By Peter John

THE LONDON stock market was dominated by the surprise news that Midland Bank is to merge with the Hongkong and Shanghai Banking Corporation.

The market shrugged off poor economic and industrial statistics yesterday and resisted pressure from the derivative markets to put on its first strong performance for more than a week.

The FT-SE 100 Index opened firmly, bouncing back from the slide prompted by disappointment over the governing Conservative party's Budget. It reached its day's high within the first half hour of official business.

Budget proposals by the opposition Labour party on Monday had tended to allay the fears of traditionally conservative City observers. Political optimism was boosted in the City by an opinion poll favourable to the Conservatives and this helped the Index maintain its early strength.

Account Dealing Dates		
*First Dealings:		
Mar 9	Mar 23	Apr 6
Option Declarations:		
Mar 19	Apr 2	Apr 23
Last Dealings:		
Mar 20	Apr 3	Apr 24
Account Day:		
Mar 30	Apr 13	May 5

*New-time dealings may take place from 8.30 am two business days earlier.

However, the level of genuine business remained low throughout the day, with only the banking sector sparking real excitement. Volume was principally generated by dealing between marketmakers, with institutions staying on the sidelines ahead of the general election.

In fact, the day belonged to Midland. The bank's shares rose sharply following the merger announcement and held their strength as traders hoped that a contested bid might develop. The shares were the most heavily traded on the stock exchange yesterday as well as on the floor of the London Traded Options market.

The news also prompted heavy activity in a number of bank stocks as the merger announcement was perceived as a sign that the Bank of England might allow other bids within the sector.

In addition, the news revived interest in perceived bid targets across the range of the market. There were suggestions that beleaguered Lonrho might attract a suitor and other possible targets like Smith & Nephew, BAT Industries and BTR received a fillip.

This positive attitude helped counterbalance the announcements that industrial output in the UK had fallen by 1.3 per cent and that the Public Sector Borrowing Requirement was worse than previously forecast.

It was also enough to help the cash market resist pressure from traders at the Financial Futures exchange who, taking a more downbeat view, were dealing the FT-SE 100 contract for March delivery at a discount to its estimated fair value, the premium that takes into account dividends and carrying costs.

Any tendency for shares to drift back during the afternoon was offset by a healthy opening on Wall Street, which rose following the announcement of encouraging economic statistics. There was also a positive input from a firm pound.

Nevertheless, there were some sort-term losers, particularly Glaxo, which suffered as a result of a French decision to investigate the marketing of the pharmaceutical company's migraine drug.

By the close, the FT-SE was 20.5 better at 2,491.2 with the rise in Midland accounting for almost four points of that gain. The SEAQ ticker showed a turnover of 447m shares, above the previous day volume of 363.5m shares, which represented retail business worth only £576m. However, it was extremely disappointing considering the day's bid activity.

Midland news surprises

THE TIMING of Hongkong and Shanghai Banking's agreed bid for Midland Bank surprised the London market and triggered a burst of speculative buying throughout the sector.

Midland Bank shares were immediately marked sharply higher, amid growing speculation that a counter-bid could be in the pipeline. Shares in other banks perceived to hold attractions for overseas bidders also came in for heavy support.

The market's surprise at the news was evident from the performance of Midland's shares. They opened marginally firmer at 254p and then rocketed, according to dealers, to around 340p bid before coming off on profit-taking and closing a net 76 ahead at 329p. Turnover had jumped to around 22m shares by the close.

Traders spoke of the possibility of counter-offers to the Hongkong Bank bid. In recent weeks there has been a series of rumours linking Midland with Lloyds Bank and Barclays. Last week the market was rife with the story that Hongkong Bank would launch a rights issue with its full-year figures to help finance a bid for Midland.

Banking specialists said a Hongkong Bank bid for Midland would have to approach 400p to succeed and that in the event of a contested bid the takeout price would probably be in the region of 500p.

TSB, regarded as a potential bid target in the sector, improved 5½ to 131½p on turnover of 13.6m. Royal Bank of Scotland, subject of an unsuccessful Hongkong Bank bid around a decade ago, put on 6 to 176p. Lloyds Bank's rumoured interest in Midland chopped the Lloyds share price by 6 to 388p in turnover of 3.8m shares. Standard Chartered, which fought off a Lloyds Bank takeover attempt in the mid-1980s, added 10 at 443p.

Barclays Bank rose 5 to 341p, NatWest 7 to 302p and Abbey National 6 to 275p.

Hanson busy

Industrial conglomerate Hanson was the subject of speculative talk that it was considering mounting a "mega-bid" shortly. There were a number of potential targets being rumoured, with some talk focusing on Lonrho, the international trading group.

Tobacco concern BAT Industries was also being touted as a possible target, although other suggestions were that Lord Hanson's group might make a large disposal, with BAT being mentioned as a potential buyer of its Imperial tobacco business.

Hanson shares added 4½ at 223p in turnover of 5.7m, Goldman Sachs leading strong buying from the US. Lonrho rebounded 14 to 99p in average turnover of 7.4m, while BAT was up 7½ at 655p.

MTM activity

Bid speculation swirled around MTM, the specialty chemicals group, following the apparent rejection by the Stock Exchange of requests for suspension of the share quotation in the wake of two profits warnings within a week and an official enquiry by the Exchange.

The shares closed 16 higher at 107p, making an advance of around 43 per cent over the past two trading sessions. Traders believe that any predator, which is likely to come from the blue chip ranks, might have to pay as much as 130p a share for the equity, valued at about £115m after allowing for MTM's debt of £70m. However, trading volume yesterday was light at well under 1m shares.

News that US investors have in excess of 10.6 per cent of BP stock, compared with holdings last revealed in the region of 8.7 per cent, helped to keep the BP share price steady at 266½p in good turnover of 6.5m.

Last week's BZW buy note prompted further support for Enterprise Oil, which gained 7 to 378p. Suggestions that Norwich Union was about to unload a large block of Goal Petroleum were regarded as unlikely by oil sector specialists, who said a selling order in recent days could have been misinterpreted by the market. However, Goal lost 3 to 41p.

Housebuilding and construction group George Wimpey raced up 16 to 147p after the company announced a maintained dividend and a reduction in gearing to around 35 per cent.

The fall in WPP, the world's largest marketing services group, was extended as the market reacted to the fall in profits and dividend omission announced this week. At 68p, the shares lost 12, after dropping 15 on Monday.

Elsewhere in the media sector, Saatchi & Saatchi closed little changed at 17p on turnover of 16.6m, with advertising shares paying little immediate heed to the optimism emanating from the US after the latest statistics on housing starts.

Trading in Glaxo was subdued as the London market awaited developments from France, where an official enquiry has been mounted into the group's promotion of Imigran, a migraine treatment. The stock fell 12 to 771p with 3.9m shares traded as US sellers made their presence felt in London.

UK analysts regard the latest developments as casting further uncertainty over Glaxo's pricing policies, but point out that the official moves in France and Denmark – hints of similar moves in Italy were not believed yesterday – imply recognition of the large markets on hand for Glaxo's products.

The drugs sector remained under the shadow cast by the prospective sale of Wellcome shares, and also by the signs of economic recovery in the US which will switch investment attention away from defensive stocks, such as the pharmaceuticals, and towards the cyclical sector.

However, most pharmaceutical leaders followed the general advance in UK equities and also benefited from the brighter tone on Wall Street. SmithKline Beecham rose 7 to 872p and Fisons added 10½ at 366p as the Midland deal revived bid speculation across the range of the market. Wellcome remained dull, easing 2 to 963p in late trade.

Following the news on Midland Bank, renewed bid talk dominated the industrial and engineering sector. Vickers, up 8 at 162p, Glynwed International, ahead 5 at 230p, and Morgan Crucible, 8 higher at 255p, all found themselves the subject of fresh takeover talk.

Dowty Group climbed 7 to 115p after chief executive Mr Bruce Ralph told a news agency that the aerospace and polymer group was close to finding a partner for its loss-making information technology division.

Mr Zafar Khan at Strauss Turnbull said: "A deal in the next few months would bring much needed cash and transform the Dowty balance sheet." The share price has been undermined in recent weeks over dividend fears. Dowty executives were meeting institutions at James Capel yesterday and were believed to be soothing nerves over the dividend payment in the light of the IT talks.

BTR announced it was undergoing a "strategic review" which would include the disposal of the group's 59 per cent stake in Hawker Siddeley Canada. Analysts estimated this could fetch £100m. The shares rose 8 to 412p.

A profits warning following a fall in the share price of Rothmans Holdings in Australia had no immediate effect on Rothmans International. In London, Rothmans International "B" nudged a penny higher to 1039p.

Among food retailers, Tesco gained support from a Kleinwort Benson recommendation, rising 5½ to 252½p. Kwik Save climbed 8 to 562p on a more positive view expressed by analysts about the company's long-term prospects. This followed a recent profits downgrading on concern that price-cutting to protect its market share would erode margins. Another firm feature of the sector was Iceland Frozen Foods, gaining 4 to 464p on hopes of good figures next week.

Stores were slightly firmer overall, in spite of a lack of any great enthusiasm about today's retail sales data, which is expected to show flat volume in February. Marks and Spencer finished 4½ higher at 319p, while Lloyds Chemists continued to attract demand, rising 4 to 347p.

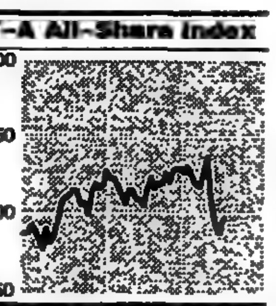
Encouraging comments from Hoare Govett about Hillsdown, and the general view that the shares are undervalued, pushed the price up 2 to 176p. Albert Fisher, which will treat the expected £6m loss from the sale as an extraordinary charge, was steady at 67p.

Brewing and other drinks groups were generally firm. Guinness were 8 higher at 568p and Bass rose 6 to 549p.

MARKET REPORTERS:
Colin Millham, Terry Byland, Steve Thompson, Christopher Price.

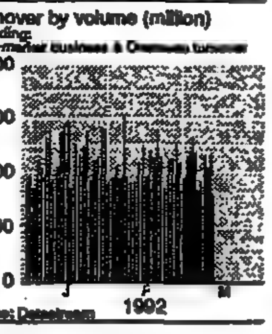
■ Other market statistics, including the FT-Actuaries Share Indices, Page 24.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (35).
AMERICANS (1) Eaton, BANKS (1) Midland, ELECTRONICS (1) Multitone, ENGINEERING GENERAL (3) Siebe, TI, Weir, FOOD MANUFACTURING (1) Nestle (Regd), FOOD RETAILING (1) Iceland Frozen, INVESTMENT TRUSTS (7) Abtrust Prfd, Zero Prf., China & Eastern, J & S Optimum Inc. Zero Div., JF Asia Select, Kleinwort High Inc. Zero Prf., Marakin, Spanish Smllr. Wrrnts., MEDIA (1) Abbott Mead Vickers, MOTORS (1) Evans Halshaw, OTHER INDUSTRIAL MATERIALS (1) Servomex, TEXTILES (2) Brit. Mohair, Lyles (S).

NEW LOWS (71).
BANKS (5) Mitsubishi, Mitsubishi T & B, Sanwa, Toyo T & B, Yasuda T & B, BREWERS & DISTILLERS (1) Macallan-Glenlivet, CONTRACTING & CONSTRUCTION (3) Green (E), Havelock Europa, Kalima, ELECTRICALS (3) Fujitsu, Mitsubishi Elect., NEC, ELECTRONICS (1) Harland Simon, ENGINEERING AEROSPACE (2) ML, Westland, ENGINEERING GENERAL (2) Hadleigh Inds., West Inds., HOTELS & LEISURE (3) Harmony Leis., Kunick, Savoy A, INSURANCE BROKERS (2) JIB, Sturge, INSURANCE COMPOSITE (2) Gen. Accident, Royal, Sun Alliance, INVESTMENT TRUSTS (13) City of Oxford Inc., Drayton Blue Chip, EFM Inc., EFM Java, Gartmore Scot. Units, JF Pacific Wrrnts. (Regd), Japanese Wrrnt. Fund, M & G Inc. Cap., Overseas Inv. Wrrnts., River Plate Cap., Scottish Natl. Cap., St David's Cap., MEDIA (2) Colorgraphic, Shandwick, MERCHANT BANKS (2) Brown Shipley, Kleinwort Benson, MISCELLANEOUS (1) Christies Intl., OIL & GAS (7) Alliance Res., Brabant Res., Cairn Energy, Clyde Petrlm., Goal Petrlm., Hardy Oil, Sceptre Res., OTHER FINANCIAL (1) Daiwa Secs., PACKAGING, PAPER & PRINTERS (1) Bart Cowells, PROPERTY (3) Allied London, Debenham Tewson & C., Helical Bar, STORES (4) Burtons, Clinton Cards, Mallet, Ratners, TEXTILES (1) Jacques Vert, TRANSPORT (1) All Nippon Airways, MINES (11) Anglesey, Blyvoor, Buffels, Butte, Doornfontein, Greenwich Res., Harmony, Kinross, Leslie, Loraine, Northgate Explr.

FINANCIAL TIMES STOCK INDICES

	Mar 17	Mar 16	Mar 13	Mar 12	Mar 11	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	86.40	86.13	86.36	86.74	86.87	84.26	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.50	98.62	99.63	99.89	100.19	93.62	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1940.6	1930.9	1935.8	1948.6	1988.8	1947.1	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	116.0	118.3	123.9	127.1	126.9	149.2	222.8 (11/7/91)	116.0 (17/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2491.2	2470.7	2476.0	2493.3	2522.4	2458.0	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1169.93	1161.33	1168.56	1169.10	1183.98	1122.59	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord Div. Yield	4.83	4.84	4.64	4.81	4.56	4.87				
●Earning Yld %(full)	6.54	6.61	6.56	6.54	6.48	8.12				
●P/E Ratio(Net)(☆)	19.36	19.17	19.24	19.36	19.55	13.50				
SEAQ Bargns 5.00pm	27,673	26,511	27,573	28,988	25,638	42,677				
Equity Turnover(£m)†	-	676.7	1028.6	1049.6	1085.6	1057.91				
Equity Bargains†	-	29,519	30,795	32,507	33,387	42,688				
Shares Traded (mil)†	-	317.1	474.1	420.9	462.1	520.2				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 18.36

Ordinary Share Index, Hourly changes Day's High 1945.5 Day's Low 1932.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1938.1	1940.3	1935.1	1940.1	1937.9	1937.7	1939.3	1939.0	1940.4

FT-SE 100, Hourly changes Day's High 2494.4 Day's Low 2477.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2477.3	2488.6	2482.2	2488.5	2488.7	2488.7	2490.7	2487.8	2490.6

FT-SE Eurotrack 200, Hourly changes Day's High 1170.70 Day's Low 1164.97

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1165.16	1165.62	1167.50	1168.04	1168.18	1169.36	1169.44

GILT EDGED ACTIVITY

Indices*	Mar 16	Mar 13
Gilt Edged Bargains	92.2	95.9
5 – Day average	107.2	108.3

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	34	480	+2	Cookson	1,100	111	+1½	Lucas	[illegible]	121	+1	Shell Transport	1,900	450½	+½
ASDA Group	11,000	38	-½	Courtaulds	1,800	522	+17½	MB Caradon	909	270	+5	Siebe	1,000	507	+13
Abbey National	2,800	275	+6	Dalgety	[illegible]	384	+6	MEPC	189	333	+1	Slough Ests	556	178	
Albert Fisher	1,700	67		De La Rue	[illegible]	563	+14	Manweb	118	304	+1	Smith (W.H.) A	338	464	
Allied-Lyons	842	604	+1	Doors	1,600	223	+5	Marks & Spencer	2,300	319	+4½	Smith & Nephew	4,600	142	+2½
Amstrad	730	35	+1	ECC Group	1,200	498	-4	Midland Bank	21,000	329	+76	SmKl Beecham	731	872	+7
Anglian Water	80	346	+2	Eastern Elect.	317	234	+3	Midlands Elect.	146	252	+2	SmKl Beecham Uts	81	4000	+22
Argos	653	261	+2	East Midland Elect.	30	242	+1	NFC	1,000	244	+2	Smiths Inds.	204	284	
Argyll Group	1,400	325	+1	Enterprise Oil	946	378	+7	NatWest Bank	8,800	302	+7	Southern Elect.	371	250	+2
Arjo Wiggins	1,500	232		Eurotunnel Units	270	430	-3	National Power	3,200	190		South Wales Elect.	70	285	
Ass. Brit. Foods	567	424	+9	FKI	441	61		Next	414	66	-½	South West Water	70	344	+1
BAA	1,000	583	+12	Ferranti	456	5½		North West Water	328	362	+2	South West. Elect.	69	258	+4
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	119	312		ICI	1,100	1256	+8	Rolls Royce	3,400	149	+5	Utd. Newspapers	71	383	-4
BP	6,300	268½		Inchcape	714	432	+1	Rothmans	182	1039	+1	Vodafone	941	339	-3
British Steel	4,700	77½	+2	Kingfisher	1,900	495	+6	Rl Bk Scotland	3,800	176	+6	Warburg (SG)	129	521	-3
British Telecom	3,500	370	+2½	Kwik Save	642	562	+8	Royal Insurance	3,400	173	-5	Wellcome	394	963	-1½
Br. Telecom New	6,400	105¼	+2½	Ladbroke	1,100	225	-½	Saatchi	16,000	17¼	+¼	Welsh Water	161	373	+7
Bunzl	95	65		Land Securities	497	417	-1	Sainsbury	931	378	+2	Wessex Water	28	384	+1
Burmah Castrol	280	511	-1	Laporte	135	506	+6	Scottish & New	479	435	-7	Whitbread A	697	427	+3
Burton	4,600	37		Legal & General	1,200	367	+3	Scot. Hydro-Elect.	1,700	103	+3	Williams Hldgs	1,600	314	+7
Cable & Wire	1,800	680	+3	Lloyds Abbey	181	389	-1	Scottish Power	6,800	101	+1	Willis Corroon	372	266	+5
Cadbury Schweppes	1,600	443	-3	Lloyds Bank	3,800	388	-6	Sears	1,100	101	+2½	Wimpey	7,300	147	+16
Calor Group	88	185	+1	LASMO	3,100	185	+2	Sedgwick	780	220	+1	Wolseley	65	451	-1
Carlton Comms.	403	561	+2	London Elect.	402	282	+1	Seeboard	38	260		Yorkshire Elect.	608	304	
Coats Viyella	1,100	191	+2	Lonrho	7,300	99	+14	Severn Trent Water	218	331	+2	Yorkshire Water	97	367	+2
Comm. Union	595	416	+6												

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A STRONG cash market combined with good performances in the gilt and short sterling markets held the FT-SE futures up, although they later drifted back in quiet trading, writes Christopher Price.

The March FT-SE contract was marked up to 2,490 and quickly squeezed higher by sentiment from several sources to reach its best level of the day at 2,496. These included a good opinion poll for the Conservative party, the news on Midland Bank, a rally in gilts and a strong showing in short sterling. However, the tight trading range saw March stay around the 2,490 mark for most of the day.

Wall Street had little effect, although in the last half-hour of trading March perked up on rumours that an opinion poll would today give the Conservatives a four-point lead. The contract closed at 2,489, up 27 from the previous session and at a discount of around 6 points to its four-point fair value premium and a discount to the underlying market. Turnover was 4,597 lots.

In the LTOM, volume was down 10,000 from the previous day's 33,000 contracts. Midland was the most heavily traded stock option with more than 3,500 lots dealt, followed by British Gas and Forte.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
9pc 1992 ‡‡		99⅞xd	—	99⅞	95⅞	8.82	10.12
10¼pc Cv 1992‡‡		99⅞	—	100⅞	99½	10.80	10.44
3pc 1992		98¼	—	98¼	91⅞	3.04	2.53
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡		99¼	+⅛	101⅞	92⅞	9.50	9.67
Exch 12¼pc 1999		111⅞xd	+⅛	114⅞	105⅞	11.00	9.84
Treas 10½pc 1999		103⅞	+⅛	105⅞	97⅞	10.18	9.83
Conversion 10¼pc 1999		102⅞	+⅛	104⅞	95⅞	10.03	9.80
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	124⅝	+¼	124⅞	115⅞	2.41	3.51
2pc '96	(67.9)	181⅞	+⅛	181⅞	168⅞	3.17	3.71
2½pc '01	(78.3)	148¼xd	+⅛	147⅞	137⅞	4.01	4.30
[illegible]							

OTHER FIXED INTEREST

[illegible]

LEGAL NOTICES

IN THE MATTER OF
IDARI LIMITED (FORMERLY BAGGRAVE FARMS LIMITED)
AND
IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn, FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 2nd March 1992.

Dated this 2nd March 1992
Peter S Dunn, FCA,
Liquidator

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

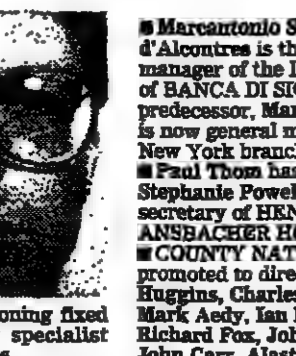
1/2 hour period ending	Provisional Price for Trading on 18.03.92: Pool purchase price £/MWh	Final Prices for Trading on 18.03.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.72	17.08	17.08
0100	16.89	17.10	17.10
0130	16.91	17.38	17.38
0200	16.91	17.38	17.38
0230	16.76	17.08	17.08
0300	16.74	17.06	17.08
0330	16.72	17.06	17.08
0400	16.72	17.05	17.06
0430	16.70	17.04	17.04
0500	16.69	17.05	17.05
0530	16.76	17.05	17.05
0600	16.76	17.06	17.06
0630	16.86	17.09	17.09
0700	16.93	17.89	19.33
0730	18.28	19.80	21.30
0800	18.29	28.72	30.54
0830	18.18	18.12	19.58
0900	19.16	18.26	19.77
0930	19.34	28.88	30.76
1000	19.68	29.97	31.88
1030	19.68	29.94	31.84
1100	19.68	19.35	20.89
1130	19.68	19.35	20.89
1200	19.68	19.34	20.88
1230	19.88	19.31	20.83
1300	19.34	19.26	20.77
1330	19.34	19.22	20.71
1400	18.07	19.21	20.69
1430	18.02	17.45	17.45
1500	16.95	17.40	17.40
1530	16.95	17.43	17.43
1600	16.94	17.43	17.43
1630	18.07	19.22	20.70
1700	18.28	19.31	20.82
1730	18.07	20.12	21.88
1800	18.28	25.46	27.55
1830	22.50	25.76	27.88
1900	22.60	24.98	26.90
1930	22.60	22.71	24.37
2000	22.59	20.98	22.47
2030	21.84	20.82	22.43
2100	19.18	18.10	19.55
2130	18.52	17.98	19.40
2200	18.07	17.10	17.10
2230	16.92	17.05	17.05
2300	16.83	17.05	17.06
2330	16.76	17.04	17.04
2400	16.75	17.03	17.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

APPOINTMENTS

Maher's global post



Hill Samuel Investment Management, part of the TSB group, has hired John Maher to take up the new post of global marketing director. An American, Maher joins after 17 years at Citicorp.

There is currently an active trade in personnel between HSIM and Citi – with Neville Bowen, formerly chief executive of HSIM Group, which also includes the US and Irish fund management operations, now to head Citibank's worldwide fund management activities.

"We are currently 2:1 up," says HSIM managing director Philip Beaven, referring to the fact that its group compliance officer also recently arrived from Citi.

Maher, 41, gathered a wide range of marketing experience at Citi, mostly from New York, but since January 1990 he has been in London as UK business director, latterly with responsibility for the rest of Europe, too. He joins at a time when HSIM, which is manager and adviser to some £11bn of funds, is seeking to capitalise on institutional investors' growing readiness to place more money outside their domestic markets. "Maher brings with him a breadth of experience, including in areas where we would particularly like to expand," says Beaven, mentioning fixed interest funds for specialist insurance companies.

HSIM lost its UK marketing director Jennie Paterson to Barr Rosenberg European Management last August. Maher's job will encompass hers, while adding the "global" dimension.

Black network co-ordinator for UK

The new UK network co-ordinator of the Texas-based International Black Network Exchange is David Wint Flint, former insurance broker now with his own insurance-to-property interests group WFJ Enterprise, who believes strongly in raising the profile of black business in Britain.

IBNE, which is largely financed by its 70,000 members but also receives some US State Department funding, is designed to put black businessmen and professionals around the world in touch with each other.

Founder Patricia Roper Saunders, who worked on a similar venture, Transatlantic Link, before IBNE was formed last year, will soon be in Britain to launch the UK service and expound on the benefits of networking.

Wint Flint, who is 31, says his role is to help foreign companies find suitable partners in the UK, preferably within the black community but not exclusively so. While he collects no salary from IBNE, he expects to earn fees for his services from the companies.

Britain's ethnic population may, as a group, be a significant consumer force, but not enough spending is put the way of black business. "You don't see too many black millionaires around." Wint Flint, whose dream is to have done sufficiently well to be able to retire before he is 40, also runs his own networking service, the African Caribbean Directors Institute Centre, which has a different mission in so far as it "networks between other business and professional networks". Before setting up his own business, he spent five years at Lowndes Lambert as a senior broker.

So does WFJ Enterprise Group, which has a staff of 8, transact business principally within the black community? "No I don't. Unfortunately there are not enough black people in this country to sustain the business."

■ Marcantonio Stagno d'Alcontres is the new general manager of the London branch of BANCA DI SICILIA; his predecessor, Marcello Cali, is now general manager of the New York branch.

■ Paul Thom has succeeded Stephanie Powell as company secretary of HENRY ANSBACHER HOLDINGS.

■ COUNTY NATWEST has promoted to director Chris Huggins, Charles Philipps, Mark Aedy, Ian Marcus, Richard Fox, John Jeremy, John Carr, Alastair Gibbons, Alan Lewis, Rod Selkirk, David Black, Jim Card, Steven Clark, Richard Gee, Ted Hall, Neil Pidgeon, Charles Rowe, Peter Baynham and Graham Halstead.

■ Nigel Todd, formerly finance director at Concord Leasing, has been appointed head of group asset and liability management at its parent, FORWARD TRUST, based in Birmingham; Edward Lester is appointed head of corporate finance, based in London.

■ Hugh Grootenhuis, Torquil McAlpine and Cristoforo Rocco have been appointed directors of SCHRODER SECURITIES.

■ Dinah McKenzie has been appointed a director of MIDLAND MONTAGU ASSET MANAGEMENT.

■ Anthony Bushell has been appointed a director of FIRST SPANISH INVESTMENT TRUST.

■ Bruce Bonyhady has been appointed deputy md and chief investment officer of MERIDIAN GLOBAL FUNDS MANAGEMENT (EUROPE).

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		34⅛xd	−1⅜	38⅞	20⅞	14,512	2.0
♥Allegheny & W		310p	+18	385p	218p	161.1	5.4
Amdahl		1028p	−22	[illegible]	667p	1,141	0.5
Amer Cyanamid		35⅞	−⅛	42⅛	25⅛	3,345	2.4
Amer Express		[illegible]	−⅛	17⅞	9⅞	8,792	4.6
Amer T & T		21½xd	−⅞	24½	15¼	28,554	1.4
Ameritech		34½	—	38⅞	32½	15,109	5.5
BankAmerica		24⅞xd	−⅞	26⅞	12⅞	5,408	3.0
Bankers NY		38⅛xd	−⅛	38⅞	20⅞	2,732	8.2
Bell Atlantic		24¼	—	30½	24¼	9,733	5.7
BellSouth		28¼	−¼	31¼	25	12,732	5.9
♥Bethlehem Steel		8⅞xd	+⅞	11¼	6⅞	614.5	—
Bowater		1426pxd	−18	1839p	1042p	512.2	4.7
CPC		48⅞xd	−⅞	54⅞	37⅞	3,699	2.5
California Engy		780p	—	930p	420p	127.4	—
Campbell Soup	b	21½	+¼	25	14⅛	5,404	1.6
Chase Manhattan		13⅛xd	−¼	14⅞	5⅞	1,818	5.1
Chrysler		9⅞xd	+⅛	10⅛	5⅞	2,895	3.4
Citicorp		9½xd	−¼	10⅝	4⅞	3,263	—
Colgate-Palm.		27⅞xd	−⅛	27⅞	21⅞	3,954	2.2
Cont'l Bank		887p	—	[illegible]	438p	906.4	1.6
Dana		21⅞xd	+⅞	21⅝	13⅝	865.8	4.3
Data General		613p	—	1282p	203p	189.2	—
Dial		28⅝xd	−⅞	29⅛	12⅞	1,136	2.8
Dun & Brad		32	−⅞	32¼	20¼	5,710	3.8
Eaton		42	+¼	42	24¼	[illegible]	2.9
Echlin		9⅞xd	−⅞	10⅞	5½	551.5	4.0
FPL		19¼xd	−¼	20⅛	14⅞	3,263	7.0
Fluor		23⅛xd	−⅞	30⅞	17⅞	1,875	1.0
Ford Motor		21¾xd	+⅛	23¼	13	10,296	2.6
Gen Elect		44⅞xd	−⅝	48⅞	28⅞	38,942	2.6
♥General Host		491p	−5	988p	270p	—	4.1
Gillette		28xd	−⅞	45¼	20⅞	6,122	1.2
Hasbro	b	15	−7⅛	16	5⅛	1,290	0.5
Honeywell		41¼xd	−⅞	42⅞	21¾	2,878	2.3
Houston Inds		24⅛	−⅛	24½	17⅞	3,110	6.9
IBM		51⅛xd	−1¼	72⅞	46	29,230	5.3
Ingersoll-Rand		34⅞xd	−⅞	37½	18⅞	1,811	2.1
Lockheed		28⅛	−⅛	28⅛	16⅞	1,889	4.3
Lowe's		2295p	+42	2478p	1245p	835.7	1.4

ENGINEERING – GENERAL

	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Black & Edg.	1¾	—	5	1	0.69	—	0.1
Bogod A.	19	—	29	11	9.97	4.5	8.7
Booth Inds	75	—	92	69	3.99	5.7	5.0
Bramer	224	—	248	109	96.1	7.7	15.8
Brasway	65	—	149	63	48.9	12.5	8.6
Bridport-Gundry	65	—	92	43	8.61	8.9	8.1
Bristol Channel	4	−¼	5½	3	3.19	—	—

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

MERCHANT BANKS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

STORES

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TRANSPORT

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

Britannia Life Unit Managers Ltd (1200)F

Confederation Funds Mngt Ltd (1200)F

Cartmore Fund Managers (1200)F

INVESCO MIM UT Mngrs Ltd -Contd.

Manulife Management Ltd (1200)F

M&P Unit Trust Management Ltd (1200)F

National Provident Inv Mgrs Ltd (1400)H

St James's Place UT Group Ltd (1200)F

MGM Unit Managers Ltd (1000)F

NW Investment Managers Ltd (0459)F

Maiden Unit Trust Managers Ltd (1400)F

Maiden Growth 01 102.6 102.6xd 105.71 15.56

NM Unit Trust Mngrs (1200)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

Tel: 071 — 379 — [illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mngmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.74	35.76	38.00	-0.2	2.20
UK Equity Gth Acc	5¼	48.63	49.48	52.48	-0.2	1.91
UK Eq High Inc Inc	5¼	28.01	28.71	30.51	-0.2	6.31
UK Eq High Inc Acc	5¼	31.50	32.28	34.30	-0.2	6.31
UK Equity Gen Acc	5¼	45.15	45.88	48.75	-0.1	3.49
UK Equity Gen Inc	5¼	35.33	35.90	38.15	-0.1	3.49
UK Larger Cos Acc F	7½	300.6	304.5	330.5	-1.0	4.69
UK Larger Cos Inc F	7½	242.0	245.0	265.9	-0.8	4.69
Gilt & Fxd Int Inc	5¼	27.81	27.88	29.49	....	7.60
Trans Larg Cos Acc F	7½	207.1	210.6	228.6	-2.0	1.88
Nth American Acc	5¼	36.88	37.03	39.35	-0.1	0.97
Far East Acc	5¼	37.92	38.89	41.33	-0.4	0.16
European Acc	5¼	35.32	36.67	38.97	-0.2	1.49
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	299.0	299.0	319.2	[illegible]	[illegible]
(Accum Units) ♥	5	351.9	351.9	375.7	-1.3	[illegible]
British	5	782.9	800.0xd	846.4	+3.4	6.14
(Accum Units)	5	1312.9	1341.6	1419.4	+5.7	6.14
European	5	340.6	340.6	362.0	...	1.38
(Accum Units)	5	369.2	369.2	392.4	...	1.38
Japan	5	98.15	98.15	104.5	-1.5	-
(Accum Units)	5	98.94	98.94	105.3	-1.5	-
New Pacific	5	195.6	195.6	208.8	-1.7	1.64
(Accum Units)	5	200.9	200.9	214.4	-1.8	1.64
PEP Mar 11	5	150.1	151.5	160.3	....	3.50
Mngd Equity	5	125.0	126.4	133.7	+0.2	2.82
Mngd Equity Acc	5	132.6	134.1	141.9	+0.3	2.82
Mngd Cash	0	96.90	96.90	96.90	+0.08	10.25
(Accum Units)	0	119.5	119.5	119.5	+1.00	10.25
Majority Stlg	1	100.39	100.39	101.88	+0.01	9.98
Majority Stlg Acc	1	109.86	109.86	110.95	+0.01	9.98
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing: 0277 261010						
International Mar 13	0	51.10	51.10	51.56	....	13.18
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232329						
Equity	6	591.3	599.0	640.6	+3.1	3.18
North America	6	86.90	86.90	92.94	-0.85	0.32

	Bid Price	Offer Price	+ or -	Yield Gross
Henderson Unit Trust Management Ltd				
Pension Mngd	52.65	53.07	+0.13	3.06
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1195.0	1246.0	....	-
Mngd Pens (Acc)	66.6	71.0	....	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	....	7.80
Inc Gth Prp Jun 30	£1375.0	1460.0	....	6.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Mar 11	£4016.3	4287	....	3.79
European Mar 11	£392.1	398.7	....	1.46
American Mar 11	£375.5	379.1	....	2.14
Japan Mar 11	£432.6	438.0	....	1.49
Pacific Mar 11	£249.5	253.4	....	2.13
W Midlands Jan 31	£132.00	147.00	....	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Feb 29	196.75	200.75	....	7.90
Equity Feb 29	898.25	911.00	....	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Mar 16	102.1		+0.2	10.56
(Accum Units)	618.33		+0.6	10.56
NAACIF Mar 10	40.50		....	9.51
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Mar 17	125.6	135.6	-2.9	2.00
UK Small Co † Mar 17	516.8	567.1	+6.2	3.53
Fixed Interest † Mar 17	110.7	116.3	-1.0	8.61
US Small Co Mar 17	181.8	194.5	+1.2	0.00
Managed Mar 17	109.0	116.9	....	3.40
Intl Bond Mar 17	121.4	128.0	-0.6	10.02
Japan Mar 17	64.73	69.01	....	4.26
European Mar 17	91.70	98.03	-1.3	1.73
Nth American Mar 17	122.4	131.7	-0.8	1.21

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Norwich Union Life Insurance Soc.-Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pensionsaver & Unit-Linked Plus				
Share Fund	445 6	469 1	-2 0	-
Ordinary Share Fund	670 4	705 7	-1 4	-
International Fund	174 3	183 5	-1 9	-
Property Fund	258 9	272 5	+0 3	-
Fixed Interest Fund	392 6	413 3	-4 6	-
Index Linked Sec Fund	191 2	201 3	-2 5	-
Deposit Fund	277 4	292 0	+0 5	-
Norwich Units Feb 14	1048 63			-

Prices as at March 10

	Bid Price	Offer Price	+ or -	Yield Gross
Jersey Investment Plan				
With Profits Fund	122 63	129 09	+0 03	-
Intl Equity Fund	93 54	98 46	-0 39	-
Intl Bond Fund	120 18	126 51	-0 82	-

Norwich Union Pensions Management Ltd
Surrey Street, Norwich NR1 3NG 0603 683335

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pooled Pensions				
Balanced Managed Fd	312.27	317 58	-0 71	-
Growth Managed Fd	103 61	105 47	-0 33	-
Cautious Managed Fd	102 98	104 41	-0 17	-

Prices as at March 16

Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or -	Yield Gross
Prop Dist (Gross)	133 9	141 0		-
Prop Acc (Gross)	255 3	268 7		-
Equity (Gross)	849 7	894 4	+3 8	-
Managed (Gross)	594 7	626 0	+1 9	-
Prop Acc (Net)	121 8	128.2		-
Equity (Net)	197 3	207 7	-0 8	-
Managed (Net)	183 5	193 1	-0 5	-
Internatl (Net)	166 7	175 5	-0 5	-
Gilt & Fxd Interest	132 0	139 0	+0 2	-
Money Fund	137 2	144 4		-
Mixed Fund (Cap)	115 4	121 5		-
Mixed Fund (Acc)	118 8	125 1		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	647 0	681 1	+2 7	-
Ret Man (Series 2)	219 4	231 0	+0 9	-

Provident Mutual Life Assc. Assn.-Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Interest Ord	217 7	229 2	+0 4	-
Fixed Interest Init.	160.3	168.7	+0.2	-
Deposit Ord	183 3	192 9		-
Deposit Init.	135 0	142 1		-
Pension Funds				
Managed Ord	453 9	477 8	+0 9	-
Managed Init.	334 3	351 9	+0 6	-
Equity Ord	684 0	720.0	+4 2	-
Equity Init.	503 7	530 2	+3	-
Pen Ind Lkd Gilt Ord	179 2	188 6	+0 2	-
Pen Ind Lkd Gilt Init.	137 8	145 1	+0.2	-
Overseas Equity Ord	317 5	334 2	-1 9	-
Overseas Equity Init.	233 8	246 1	-1.5	-
Property Ord	278 8	293 5		-
Property Init.	205.4	216 2	+0 1	-
Fixed Interest Ord	275 3	289 8	+0 4	-
Fixed Interest Init.	202 8	213 5	+0.3	-
Deposit Ord	261 4	275 2	+0 1	-
Deposit Init.	192 5	202.6	+0 1	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Profund				
Managed Mar 11	259 7	270 6		-

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Mar 12	£185 50	191 19		-
Equity Mar 12	£210.00	217 14	-	-
International Mar 12	£28 68	29 28		-
Intl Bond Mar 12	£14 81	15 01		-
Fixed Int Mar 12	£100 29	101.43		-
Index Linked Mar 12	£73 12	74 04	-	-
Property Mar 12	£106 80	112 92		-
Cash Mar 12	£29 9104	29 9104		-
Pru-Linked Retirement Plan				
Managed Mar 3	447.3	466 0		-
Cash Mar 3	275 2	286 7		-

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Sun Alliance Group
St Mark's Court Horsham 0403 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed	474.2	499.2	+0.5	-
Deposit	261.1	274 9		-
Equity	652.5	686 9	+3.3	-
Equity Income	149 8	157 7	+1.2	-
European	114 9	121 0	+0.2	-
Far East	137 1	144 4	-1 6	-
Fixed Interest	325 9	343 1	+0 4	-
Index Linked	237 9	250.5	+0 3	-
International	432.2	455 0	-3 4	-

Wesleyan Assurance Society
Colmore Circus, Birmingham, B4 6AR 021-200 3003

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fd	238 2	250 2	-	-
Pens Managed Fd	161 6	169 8	-	-

Windsor Life Assur Co Ltd
Windsor House, Telford, Shropshire 0952 292929

	Bid Price	Offer Price	+ or -	Yield Gross
American	290 8	306 1		-
Balanced Accum (3)	129 2	136 0		-
Deposit	243 1	255 9		-
Far East	258.6	272.2		-
Fully Man Acc Pen (2)	556 7	586.0		-

Providence Capitol International Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Swiss Franc Mngd	SFr5 392	5.798		-
Swiss Franc Money Mkt.	SFr1.171	1.260		-
DM Deutschmark Managed	DM1.850	1 990		-
C OFS Global Port.	£0 836	0 900		-
6 YRA Worldwide	£0 977	1 051		-
5 YRA Ofir W'wide	51.023	1.101		-

Royal Life Intl. Ltd
Royal Court, Armory Rd, Douglas IoM 0624 821212

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
J.D. Ward Mngd Bond	198 8	219.0		-
J.D. Ward Mngd Pens	124.8	134.8		-
Albany Life Acc.	192 4	202.5	-0.9	-
Albany Pens Acc.	246 4	259.3	-1.5	-
M&G Tripos Pen Acc.	179.1	188.2		-

Rothschild Asset Management - Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
OCCFL SKr			104.35			
OCCFL U.S.$			15.197			
OCCFL Yen			3,564.89			

Daily Dealings *Weekly dealing

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625590				
High Income	0.4880	0.5138		10.30
CMI Core Portfolio Fund				
UK	0.9946	1.0658		–
USA	1.0783	1.1458		–
Japan	0.5336	0.5653		–
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd	95.32	100.32	+0.35	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth	489.4	524.2	-1	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
LJ International	93.79	101.04	+0.42	–
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund	103.3	110.2	-0.10	7.6
Merc Intl Bond	53.79	56.52	-0.23	8.7
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income	1.0183	1.0959		
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd			+0.51	1.0

ISLE OF MAN (REGULATED)(**)

CMI Fund Mngrs (IOM)

	Bid Price	Offer Price	+ or -	Yield Gross
EBC Trust Company (Jersey) Ltd				
Income	$15.39	15.862	–	4.06
Capital	$25.64	24.359	–	5.50
*Offer price includes 3% prelim. charge				
Equitilink International Mngt Ltd				
Fidelity Investment (CI) Ltd				
Sterling American	£2.500	2.631	+0.006	–
Fleming Group				
Robert Fleming Management (Jersey) Ltd				
Foreign & Colonial Mngt (Jersey) Ltd				
US$ Cash	$10.61			–
Multicurrency Cash	$16.27		+0.02	–
Sterling Cash	£11.65		+0.01	–
US$ Bonds	$14.40		+0.02	–
Multicurrency Bonds	$19.07		-0.02	–
Sterling Bonds	£12.74		+0.02	–
D Mark Bonds	DM20.40			–
Ecu Bonds	Ecu11.66			–
UK Equities	£20.00		-0.04	–
US Equities	$16.08		-0.01	–
Global Equities	$10.60		-0.11	–
John Govett Management (Jersey) Ltd				
Paragon Fd NAV Feb 28	$10.38			–

FT MANAGED FUNDS SERVICE (continued columns)

Midland International Circuit Fund SICAV · **Fidelity Investment (CI) Ltd** · **Asian Convertibles & Income Fd (Cayman)** · **Austro-Hungary Fund Ltd** · **BEA Associates** · **Global Asset Management – Contd.** · **Orbis Investment Management Ltd** · **Orbitex Bahamas Ltd** · **ORIENT Growth Fd**

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar ignores strong figures

THE DOLLAR retreated from initial gains to test support at DM1.6490 yesterday, in spite of more encouraging US economic figures, *writes Neil Buckley.*

February housing starts rose 9.6 per cent to 1.304m, against the 1.176m expected, and was the largest increase for a year; industrial production showed a slightly smaller than expected rise of 0.6 per cent, but was still a turnround from a 0.9 per cent fall in January; and consumer prices rose 0.3 per cent (after 0.1 per cent in January), in line with expectations.

The dollar bulls had hoped these figures would take the currency higher. But the market seems to have already priced in a US economic recovery, and a push above DM1.66 only brought sellers.

The US unit closed at DM1.6500/10, after a DM1.6525/35 start, its lowest for nearly a fortnight, and was easier at Y133.30/40 from Y133.50/60. Later in New York it ended at DM1.6455 and Y132.80.

Mr Neil MacKinnon, chief economist at Yamaichi, said: "Yesterday's figures added to the accumulating evidence that the US recovery is under way. But this was not sufficiently powerful for the dollar to break through strong resistance at DM1.6720, and we could see further slippage in the near term." He added that economic fundamentals still favoured the dollar in the long term, and most dealers still expect it to reach DM1.80 by the third quarter.

Earlier in Tokyo, the dollar firmed against the yen but barely moved against the D-Mark in late trading, after falling sharply at first. Dealers said US investors, Middle East speculators and Bank Negara, the Malaysian central bank, had been active sellers of the dollar against the D-Mark. It closed at Y133.32 and DM1.6528.

The D-Mark rose against most EMS currencies, as faint rumours circulated that the Bundesbank might raise interest rates at its council meeting tomorrow.

Even though money supply growth and inflation data have been high recently, most dealers said they doubted that the bank would lift rates, but the market was nevertheless squaring short D-Mark positions.

The Bank of Italy was said to have been forced to sell Ecu30m to support the lira, which reached a technical low against the D-Mark of L753.80, before rallying to L751.84/94.

Sterling finished at DM2.8610/15, up from a previous DM2.8578/83. Although still near its floor against the top-placed peseta, it strengthened to 47 per cent of its allowed divergence below the central rate, from 51 per cent.

It was boosted by an opinion poll showing the governing Conservative party three points ahead of the Labour opposition. It wobbled only briefly after UK industrial output and PSBR figures, which one dealer called "unambiguously awful".

The pound also benefited from a weaker dollar, ending at $1.7340, up from $1.7155. In New York it closed at $1.7355.

£ IN NEW YORK

Mar 17	Close	Previous Close
£ Spot	1.7350-1.7360	1.7215-1.7225
1 month	0.99-0.97pm	1.02-1.00pm
3 months	2.67-2.64pm	2.65-2.62pm
12 months	8.83-8.73pm	8.75-8.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar 17	Previous
8.30 am	90.2	89.9
9.00 am	90.1	89.9
10.00 am	90.1	89.8
11.00 am	90.1	89.8
Noon	90.1	89.8
1.00 pm	90.1	89.8
2.00 pm	90.1	89.8
3.00 pm	90.2	89.9
4.00 pm	90.2	89.9

CURRENCY MOVEMENTS

Mar 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.2	-21.6
U.S. Dollar	65.0	-13.0
Canadian Dollar	100.4	-1.2
Austrian Schilling	110.2	+12.2
Belgian Franc	111.6	-1.8
Danish Krone	108.9	+3.0
D-Mark	118.6	+24.9
Swiss Franc	106.6	+14.4
Dutch Guilder	114.6	+16.3
French Franc	103.5	-12.7
Lira	98.7	-19.9
Yen	138.7	+71.7
Peseta	107.3	-18.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar 16

CURRENCY RATES

Mar 17	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.794866	0.714235
U.S. Dollar	3.50	1.36143	1.23241
Canadian $	7.56	[illegible]	1.47483
Austrian Sch	7.50	15.9626	14.3699
Belgian Franc	8.50	46.6971	42.0438
Danish Krone	9.50	8.80093	7.93181
D-Mark	8.00	2.26967	2.04211
Dutch Guilder	8.50	2.55423	2.29944
French Franc	10¼	7.70422	6.93725
Italian Lira	12	1706.38	1537.60
Japanese Yen	4.50	182.309	164.774
Norway Krone	8	8.90168	8.01894
Spanish Peseta	-	143.591	129.082
Swedish Krona	10.00	8.22909	7.40742
Swiss Franc	7.00	2.05387	1.84924
Greek Drach	19	262.405	236.192
Irish Punt	-	N/A	0.766188

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Mar 16

OTHER CURRENCIES

Mar 17	£	$
Argentina	1.7130 - 1.7160	0.9900 - 0.9910
Australia	2.2870 - 2.2890	1.3215 - 1.3225
Brazil	3090.50 - 3092.65	1786.10 - 1786.30
Finland	7.8070 - 7.8285	4.5075 - 4.5105
Greece	327.950 - 333.200	189.560 - 192.590
Hong Kong	13.3980 - 13.4110	7.7425 - 7.7445
Iran	2459.00*	1435.00*
Korea(Sth)	1318.10 - 1339.35	766.80 - 776.00
Kuwait	0.51130 - 0.51215	0.29530 - 0.29570
Luxembourg	58.85 - 58.95	34.00 - 34.10
Malaysia	4.4830 - 4.4910	2.5915 - 2.5935
Mexico	5225.90 - 5237.20	3060.00 - 3061.00
N. Zealand	3.1650 - 3.1685	1.8290 - 1.8310
Saudi Ar	6.4495 - 6.5260	3.7495 - 3.7505
Singapore	2.8400 - 2.8475	1.6420 - 1.6450
S.Af (Cm)	4.9350 - 4.9970	2.8850 - 2.8865
S.Af (Fn)	6.7860 - 6.9220	3.9215 - 4.0000
Taiwan	43.25 - 43.45	25.00 - 25.10
U.A.E.	6.3150 - 6.3920	3.6715 - 3.6735

*Floating rate. Iran Official rate £114.20 $67.20

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.082	-3.40	6.10	99
Belgian Franc	42.4032	42.0428	-0.85	3.37	37
Dutch Guilder	2.31643	2.29944	-0.73	3.24	32
D-Mark	2.05586	2.04211	-0.67	3.18	30
Irish Punt	0.767417	0.766188	-0.16	2.65	4
Italian Lira	1538.24	1537.60	-0.04	2.53	-2
French Franc	6.89509	6.93725	0.61	1.86	-30
Danish Krone	7.84195	7.93181	1.15	1.33	-36
Sterling	0.696904	0.714235	2.49	0.00	-49

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7200 - 1.7350	1.7310 - 1.7320	0.98-0.96cpm	6.72	2.63-2.60pm	6.04
Canada	2.0650 - 2.0760	2.0750 - 2.0760	0.68-0.59cpm	3.67	1.55-1.43pm	2.87
Netherlands	3.2145 - 3.2250	3.2150 - 3.2250	⅜-¼cpm	0.93	⅝-½pm	0.78
Belgium	58.75 - 58.95	58.85 - 58.95	6-1cpm	0.71	15-10pm	0.85
Denmark	11.0985 - 11.1200	11.1025 - 11.1125	⅞-⅛orepm	0.69	2½-1¼pm	0.68
Ireland	1.0725 - 1.0758	1.0725 - 1.0735	0.03-0.01cpm	0.22	0.04-0.03pm	0.13
Germany	2.8575 - 2.8625	2.8575 - 2.8625	⅞-⅜pfpm	0.79	⅝-⅝pm	0.70
Portugal	245.65 - 247.00	246.00 - 247.00	52-67cdis	-2.90	156-184dis	-2.76
Spain	180.40 - 180.95	180.40 - 180.70	24-34cdis	-1.93	96-108dis	-2.26
Italy	2148.55 - 2156.20	2150.50 - 2151.50	2-4liredis	-1.67	8-10dis	-1.67
Norway	11.2200 - 11.2425	11.2250 - 11.2350	¾-¼orepm	0.47	1¼-parpm	0.20
France	9.7080 - 9.7260	9.7125 - 9.7225	⅜-⅛cpm	0.39	1-⅝pm	0.33
Sweden	10.3645 - 10.4050	10.3675 - 10.3775	⅛-⅞oredis	-0.80	2⅞-3⅝dis	-1.11
Japan	230.50 - 231.50	230.50 - 231.50	1¼-1ypm	5.84	3¼-3⅛pm	5.52
Austria	20.08 - 20.14	20.10 - 20.13	2½-1½gropm	1.19	6¼-4½pm	1.03
Switzerland	2.5850 - 2.5950	2.5850 - 2.5950	½-⅜cpm	2.03	1⅜-1¼pm	1.93
Ecu	1.3990 - 1.4125	1.3990 - 1.4000	0.09-0.04cpm	0.56	0.17-0.11pm	0.40

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.07-5.02pm. 12 Month 8.66-8.56pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7200 - 1.7350	1.7310 - 1.7320	0.98-0.96cpm	6.72	2.63-2.60pm	6.04
Ireland†	1.6140 - 1.6155	1.6140 - 1.6150	0.94-0.91cpm	6.88	2.50-2.43pm	6.11
Canada	1.1955 - 1.1985	1.1965 - 1.1975	0.29-0.32cdis	-3.06	0.94-0.96dis	-3.21
Netherlands	1.8560 - 1.8720	1.8595 - 1.8605	0.89-0.92cdis	-5.84	2.45-2.49dis	-5.31
Belgium	33.95 - 34.20	34.00 - 34.10	15.00-17.00cdis	-5.64	43.00-46.00dis	-5.23
Denmark	6.4040 - 6.4635	6.4125 - 6.4175	3.10-3.40oredis	-6.08	8.65-9.25dis	-5.58
Germany	1.6485 - 1.6625	1.6515 - 1.6525	0.80-0.81pfdis	-5.85	2.20-2.22dis	-5.35
Portugal	142.45 - 143.05	142.45 - 142.55	109-112cdis	-9.31	310-320dis	-8.84
Spain	104.15 - 105.05	104.35 - 104.45	74-77cdis	-8.68	216-223dis	-8.41
Italy	1240.00 - 1251.00	1242.00 - 1242.50	8.70-9.20liredis	-8.65	23.80-24.80dis	-7.82
Norway	6.4775 - 6.5275	6.4825 - 6.4875	3.30-3.60oredis	-6.38	9.35-9.85dis	-5.92
France	5.5970 - 5.6465	5.6100 - 5.6150	2.91-2.96cdis	-6.28	8.08-8.18dis	-5.79
Sweden	5.9600 - 6.0300	5.9875 - 5.9925	3.65-3.90oredis	-7.56	10.70-11.15dis	-7.30
Japan	133.15 - 133.95	133.40 - 133.50	0.10-0.11ydis	-0.94	0.16-0.18dis	-0.51
Austria	11.6200 - 11.6950	11.6250 - 11.6300	5.15-5.60grodis	-5.55	14.40-15.60dis	-5.16
Switzerland	1.4930 - 1.5050	1.4950 - 1.4960	0.58-0.61cdis	-4.77	1.52-1.56dis	-4.11
Ecu	1.2290 - 1.2390	1.2375 - 1.2385	0.65-0.63cpm	6.20	1.79-1.73pm	5.69

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Mar 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10⅛	10⅝ - 10½	10⁹⁄₁₆ - 10⁷⁄₁₆	10⅝ - 10½	10¾ - 10⅝	10¹³⁄₁₆ - 10¹¹⁄₁₆
US Dollar	4¼ - 4⅛	4⅛ - 4	4¼ - 4⅛	4⅜ - 4¼	4⅝ - 4½	5⅛ - 5
Can. Dollar	6⅝ - 6½	7⅛ - 6⅞	7⅛ - 6⅞	7⅜ - 7¼	8⅛ - 7⅞	8⅝ - 8½
Dutch Guilder	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Swiss Franc	8¼ - 8	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅛ - 8	7⅞ - 7¾
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
French Franc	10 - 9⅞	10 - 9⅞	10 - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	10 - 9⅞
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¼ - 12
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9⅞
Yen	5⅝ - 5½	5⅜ - 5⅝	5⅛ - 5⅜	5 - 4⅞	4⅝ - 4½	4⅝ - 4½
Danish Krone	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞
Asian $Sing	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½
Spanish Peseta	12⅛ - 12	12⅛ - 12	12⅛ - 12	12⅜ - 12⅛	12⅜ - 12⅛	12⅝ - 12⅜

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 6⅞-6⅞ per cent; four years 7¼-7⅛ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.732	2.860	231.0	9.718	2.590	3.220	2151.	2.076	58.90	1.399
$	0.577	1	1.651	133.4	5.611	1.495	1.859	1242	1.199	34.01	0.808
DM	0.350	0.606	1	80.77	3.398	0.906	1.126	752.1	0.726	20.59	0.489
YEN	4.329	7.498	12.38	1000.	42.07	11.21	13.94	9312	8.987	255.0	6.056
F Fr.	1.029	1.782	2.943	237.7	10.	2.665	3.313	2213	2.136	60.61	1.440
S Fr.	0.386	0.669	1.104	89.19	3.752	1	1.243	830.5	0.802	22.74	0.540
N Fl.	0.311	0.538	0.888	71.74	3.018	0.804	1	668.0	0.645	18.29	0.434
Lira	0.465	0.805	1.330	107.4	4.518	1.204	1.497	1000.	0.965	27.38	0.650
C$	0.482	0.834	1.378	111.3	4.681	1.248	1.551	1036	1	28.37	0.674
B Fr.	1.698	2.941	4.856	392.2	16.50	4.397	5.467	3652	3.525	100.	2.375
Ecu	0.715	1.238	2.044	165.1	6.946	1.851	2.302	1538	1.484	42.10	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
92	3-39	4-04	0-21	0-42
93	2-51	3-21	0-33	0-59
94	2-05	[illegible]	0-51	1-17
95	1-29	2-05	1-11	1-43
96	0-62	1-39	1-44	2-13
97	0-40	1-13	2-22	2-51
98	0-25	0-57	3-07	3-31
99	0-15	[illegible]	3-61	4-16

Estimated volume total, Calls 1978 Puts 2951
Previous day's open int. Calls 52237 Puts 47467

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
94	4-01	3-62	0-25	1-22
95	3-13	[illegible]	0-37	1-46
96	2-30	2-50	0-54	2-10
97	1-54	2-19	1-14	[illegible]
98	1-20	[illegible]	1-44	3-15
99	0-59	1-31	2-19	3-55
100	0-38	1-11	2-62	4-35
101	0-24	0-59	3-46	5-19

Estimated volume total, Calls 154 Puts 260
Previous day's open int. Calls 985 Puts 540

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8650	1.80	2.44	0.10	0.21
8700	1.38	2.03	0.18	0.30
8750	1.00	1.66	0.30	0.41
8800	0.68	1.33	0.48	0.60
8850	0.44	1.05	0.74	0.82
8900	0.27	0.80	1.07	1.07
8950	0.16	0.60	1.46	1.37
9000	0.10	0.43	1.90	1.70

Estimated volume total, Calls 1762 Puts 1838
Previous day's open int. Calls 117260 Puts 48102

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8975	0.77	1.14	0.01	0.01
9000	0.53	0.91	0.02	0.03
9025	0.32	0.69	0.06	0.06
9050	0.15	0.49	0.14	0.11
9075	0.07	0.33	0.31	0.20
9100	0.03	0.20	0.52	0.32
9125	0.02	0.11	0.76	0.48
9150	0.01	0.06	1.00	0.68

Estimated volume total, Calls 2395 Puts 987
Previous day's open int. Calls 67872 Puts 36515

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS
Lira 200m 100ths of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9750	1.85	2.09	0.10	0.31
9800	1.43	1.71	0.18	0.43
9850	1.05	1.37	0.30	0.59
9900	0.73	1.07	0.48	0.79
9950	0.48	0.82	0.73	1.04
10000	0.31	0.61	1.06	1.33
10050	0.19	0.45	1.44	1.67
10100	0.11	0.33	1.86	2.05

Estimated volume total, Calls 514 Puts 667
Previous day's open int. Calls 6332 Puts 4512

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8850	0.79	0.93	0	0.14
8875	0.54	0.73	0	0.19
8900	0.29	0.56	0	0.27
8925	0.06	0.41	0.02	0.37
8950	0	0.29	0.21	0.50
8975	0	0.19	0.46	0.65
9000	0	0.12	0.71	0.83
9025	0	0.07	0.96	1.03

Estimated volume total, Calls 6363 Puts 3875
Previous day's open int. Calls 132305 Puts 73436

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	95-00			94-14
Jun	95-09	95-12	94-26	94-23

Estimated volume 29021 (26904)
Previous day's open int. 50052 (51832)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	98-23	98-08	98-06	98-22
Jun	97-20	97-25	96-30	97-19

Estimated volume 2102 (2348)
Previous day's open int. 4067 (3455)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Jun	88.20	88.25	88.03	88.01
Sep	88.73	88.72	88.62	88.53

Estimated volume 43646 (34847)
Previous day's open int. 94731 (90596)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Jun	102.69	102.69	102.60
Sep	102.43		

Estimated volume 531 (406)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Jun	102.09	102.10	102.04	102.08
N				
A				

Estimated volume 30 (18)
Previous day's open int. 32 (64)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Jun	99.29	99.37	99.15	99.33
Sep	99.28	99.36	99.20	99.37

Estimated volume 17129 (9952)
Previous day's open int. 31765 (30273)

THREE MONTH STERLING *

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	99-00	99-03	98-00	98-11
Jun	97-29	98-01	96-28	97-09
Sep	96-31	97-01	95-30	96-10
Dec	96-03	96-04	95-05	95-14
Mar	95-10	95-11	94-13	-
Jun	-	-	-	-
Sep	-	-	-	-
Dec	-	-	-	-
Mar	-	-	-	-
Jun	-	-	-	-
Sep	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Jun	95.67	95.69	95.59	95.64
Sep	95.27	95.30	95.18	95.24
Dec	94.70	94.71	94.60	94.65
Mar	-	-	-	94.43

BRITISH POUND (IMM)
$s per £

	Close	High	Low	Prev.
Jun	1.7080	1.7150	1.6940	1.6962
Sep	1.6840	1.6916	1.6710	1.6722
Dec	1.6636	1.6700	1.6500	1.6518

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.6642	0.6665	0.6570	0.6569
Sep	0.6592	0.6620	0.6515	0.6519
Dec	0.6556	0.6580	0.6480	0.6483

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Jun	0.7514	0.7520	0.7452	0.7459
Sep	0.7518	0.7522	0.7468	0.7465
Dec	0.7535	0.7535	0.7490	0.7483
Mar	-	-	-	0.7508

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Jun	0.5994	0.6003	0.5936	0.5936
Sep	0.5927	0.5935	0.5878	0.5869
Dec	0.5871	0.5894	0.5822	0.5813
Mar	-	-	-	0.5770
Jun	-	-	-	0.5740

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Jun	95.23	95.24	95.09	95.14
Sep	94.76	94.77	94.61	94.66
Dec	94.00	94.01	93.86	93.92
Mar	93.69	93.70	93.57	93.62
Jun	93.18	93.18	93.06	93.13
Sep	92.74	92.75	92.63	92.71
Dec	92.26	92.28	92.16	92.24
Mar	92.22	92.24	92.12	92.20

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Mar	409.60	410.15	406.90	406.80
Jun	410.85	411.40	408.40	408.15
Sep	412.55	413.10	410.20	409.85
Dec	414.45	415.30	412.20	411.80

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	0.12	-	-
107	1.94	-	-	0.30	-	-
108	0.87	-	-	0.61	0.99	-
109	0.44	-	-	1.14	-	-
110	0.19	-	-	-	-	-
111	0.06	-	0.64	-	-	-
112	0.02	-	0.42	-	-	-
Open Int.	94,042	13,334	850	74,146	8,363	850

Estimated volume 26,178 Total Open Interest 191,587

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7315	1.7218	1.7053	1.6810	1.6454

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Trading slows again

TRADING was very quiet on the UK money market yesterday, although the mood was improved by a newspaper opinion poll giving the Conservative party a three-point lead.

Rates were little changed, with dealers waiting to see if the improvement in Conservative support is reflected in three more polls due out today. A better performance by sterling also reassured the market, which largely ignored disappointing PSBR and industrial production figures which showed the economy was still in the depths of recession.

"No economic figures are likely to be good news at the moment," said one trader. "We are much more interested in the opinion polls."

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

Interbank rates stood at 10¼-10⅜ per cent from one week through to five months, and 10⁹⁄₁₆-10⁷⁄₁₆ per cent from six months to one year, although the one-year had opened ⅛ per cent higher.

June sterling futures opened up at 89.27, and dropped slightly in the morning to 89.25 before firming to 89.29.

Funding proved more difficult than expected after the Bank of England initially forecast a moderate shortage of around £550m. The main factors drawing funds from the system were £726m treasury bills and maturing assistance, and £317m bills for repurchase by the market, partly offset by exchequer transactions totalling £355m.

The Bank, however, did not operate in the morning, purchasing only £300m of band 1 and 2 bank bills, and £1m band 1 treasury bills, at 10⅜ per cent in the afternoon. It provided late assistance of £125m, bringing the day's total to only £426m.

Overnight rates eased to around 10⅝-10½ after the moderate shortage forecast, but in the afternoon reached 13 per cent, reflecting the difficult funding situation.

German call money was still stuck at the relatively high level of 9.55/9.65 per cent ahead of the Bundesbank's weekly securities repo today.

Dealers said rates would remain high and possibly edge higher until pressure from this month's heavy tax deadline was over.

The Federal Reserve added temporary reserves to the US banking system through overnight system repurchase agreements. Federal funds were trading at around 4⅛ per cent at the Fed's operations time, above the presumed target of 4 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.17) 3 months US dollars		6 months US dollars	
bid 4⅜	offer 4½	bid 4⅝	offer 4¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm

Prime rate	6½
Broker loan rate	6
Fed.funds	4
Fed.funds at intervention	4⅛

Treasury Bills and Bonds

One month	3.93	Three year	6.30
Two month	4.03	Five year	7.04
Three month	4.16	Seven year	7.34
Six month	4.38	10-year	7.61
One year	4.71	30-year	8.02
Two year	5.60		

Mar 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.70	9.60-9.70	9.60-9.70	9.56-9.68	9.75
Paris	9¾-10	9¾-10	9¾-10	9⅞-10⅛	9⅞-9⅞	9.60
Zurich	-	-	-	-	-	-
Amsterdam	9.40-9.55	9.54-9.62	-	9.54-9.62	-	-
Tokyo	5⅛-5⅛	5⅛-5⅛	-	4⅞-4⅞	-	-
Milan	12-12¼	12¼-12½	-	12⅛-12⅜	-	-
Brussels	9.50-9.62	9⅛-9⅜	-	9⅛-9⅜	-	-
Dublin	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10¼	-

LONDON MONEY RATES

Mar 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10⁷⁄₁₆	10⅜	10⅜	10¹¹⁄₁₆	10¹¹⁄₁₆
Interbank Bid	10½	10⅜	[illegible]	[illegible]	10⅝	10⅝
Sterling CDs	-	-	10⅜	10⁷⁄₁₆	10⅝	10⅝
Local Authority Deps	10½	10½	10⅜	10⅜	10⅝	10½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10⅜	-	-	-	-
Company Deposits	-	-	10⅜	10⅜	10⅝	10⅝
Finance House Deposits	-	-	10⅜	10⅜	10⅝	10⅝
Treasury Bills (Buy)	-	-	10¼	10⁵⁄₁₆	9⅞	-
Bank Bills (Buy)	-	-	10⅜	10⅜	10¼	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.35	4.35	4.57	5.15
SDR Linked Dep. Offer	-	-	6⅞	6⅞	6⅞	6⅞
SDR Linked Dep. Bid	-	-	6⅜	6⅜	6⅜	6⅜
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	10	10	10	10

Treasury Bills (sell): one-month 10⅛ per cent; three months 9¹⁵⁄₁₆ per cent; six months 9¹⁵⁄₁₆ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 10.1247 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1992. Agreed rates for period Mar.25, 1992 to April 25, 1992, Scheme I. 11.67 p.c., Schemes II & III 11.64 p.c. Reference rate for period Feb 1,1992 to February 28, 1992, Scheme IV&V 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent, six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

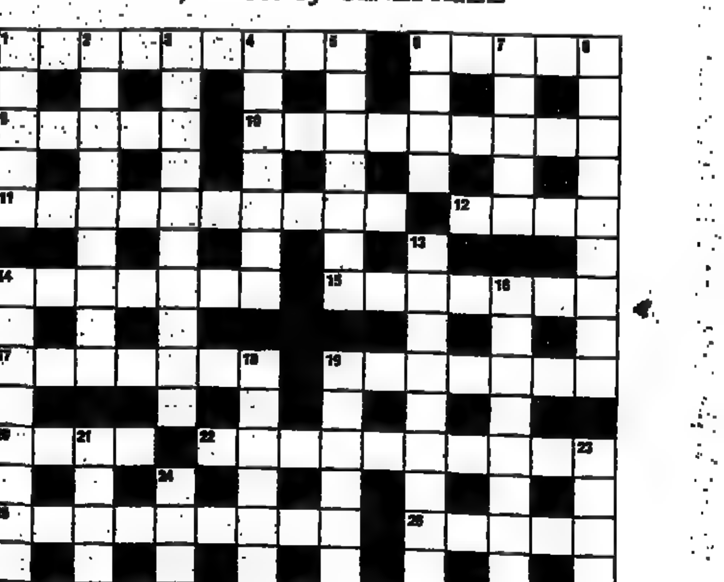
Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

JOTTER PAD

CROSSWORD

No.7,801 Set by CINEPHILE



ACROSS
1 Lawman at home to ghost, say (9)
6 Lawman returning about gold, Greek style (5)
9 Lawmen for church? (5)
10 Lawmen complained endlessly when upset (9)
11 Sort of appliance chosen by learner after crashing one car (10)
12 See 24
14 Packing horse in sand hill (7)
15 Vehicle for one body that gives advice on payment to government (7)
17 News Agency at El Salvador's capital: they hang (7)
19 Prosper, literarily: might sound a cheerful month (7)
20 Lawmen in a number of pieces (4)
22 Courtly object of service? (6,4)
25 Offensive effect of slit in gun (9)
26 Divisive club on west side (5)
27 Make effort to get river by wireless communication (5)
28 *Marry unhappily* when surrounded by whims and animal scenes (9)

DOWN
1 Legally owned without qualification (awfully fine point) (2,3)
2 Lawmen arouse anger in groups (9)
3 Regular, getting up-tight with journalist, came *about* (10)
4 All except the bottom joint? (7)
5 Confident and alert in movement (7)
6 Lawmen, clever fellow, follows me in a plant (4)
7 Lover with a capital love (5)
8 Lawmen, arty fellow, reads list (9)
13 Put style into word in non-stop route through town (10)
14 Lawman vetted ice formation (9)
16 Lawman, etc, stop getting wrong end right (9)
18 Lawman taking wine heard very loudly (7)
19 Boss has been in firm an age really (7)
21 Lawmen own all but steam ship (5)
23 City that is first in sound (5)
24, 12 Lawman without arch (8)

Solution to Puzzle No.7,800

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE · JAPAN

[illegible]

CANADA

TORONTO

4:00 pm prices March 17

Quotations in cents unless marked $

[illegible]

1400 Cascades	$7⅞	7⅛	7	
1000 Celanese x	$48	46	46	
300 Cntrl Cap	25	d25	26	
122700 Cinepx Odn	u385	340	385	+80
600 Cntrl Fd A	450	450	450	−6
16400 Cominco	$20⅝	20⅝	20½	
13300 Coputalog	75	70	70	
177200 Labatt	$25⅞	25	26	−⅛
708500 Lac Minls	$7½	d7⅞	7½	−⅛
2000 Lafarge	$17⅞	17⅞	17⅞	+⅛
28500 Laidlaw A	$12	11⅞	12	+⅛
384300 Laidlaw B	$12	11⅞	11⅞	
400 Laurent Bk	$19	d19	19⅛	
400 Reitman S	$18	18	19⅛	
79300 Ren'ssance	$12⅛	12½	12½	
488200 Repap Ent	$5⅛	5	5	−⅛
3000 Rio Algom	u$18½	18⅛	18⅛	
19600 RogersComB	$13	12⅞	12⅞	
200 Rothmans	$96	96	96	
198200 RoyalBkCan	$25⅛	25	25	
30100 Ryl Oak Mn	176	166	170	−5

MONTREAL

4:00 pm prices March 17

205200 NatBk Can	$11½	d11⅝	11½	
2300 Provigo x	$9⅛	9	9	
59000 Quebecor A	$12⅞	12⅞	12⅞	
25400 Teleglobe x	$11⅞	11⅝	11⅞	+⅛
9800 Videotron	$16⅞	16½	16⅞	+⅛

Total Sales 12,117,400 shares

INDICES

NEW YORK

DOW JONES	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3256.04	3236.36	3235.91	3208.63	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.50	98.54	98.69	98.67	99.81 (6/2)	98.50 (17/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1408.82	1395.74	1400.78	1393.12	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.87	204.06	203.30	204.43	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3272.58 (3249.11) Low 3222.27 (3201.25)

STANDARD AND POOR'S

	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	409.58	406.39	405.84	403.89	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	487.93	483.80	483.15	480.59	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.32	34.00	33.91	33.76	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.01	224.44	224.30	223.30	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	405.64	402.88	404.06	403.59	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	623.27	617.94	618.62	615.92	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 13	Mar 6	Feb 28	year ago (approx.)
Dow Industrial Div. Yield	2.84	2.84	2.79	3.42

	Mar 11	Mar 4	Feb 26	year ago (approx.)
S & P Industrial div. yield	2.64	2.61	2.57	2.83
S & P Indl. P/E ratio	28.51	28.61	29.03	17.53

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Singer	2,873,900	23⅞	+ 2
Chrysler	2,798,500	18	+ ⅛
Unisys	2,500,800	10⅛	+ ⅛
Glaxo	2,325,300	27	- ⅛
Eastman Kodak	2,382,900	40⅛	- ⅛
Am T & T	2,119,000	39⅛	+ 1
Telefonos	2,044,700	55⅛	+ 1
Ford Motor	1,958,300	38⅛	+ ⅛
Circle K	1,887,100	⅛	+ ⅛
Fed Express	1,717,300	55⅛	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 17	Mar 16	Mar 13
New York SE	187.240	151.280	176.000
Amex	14.694	15.669	17.098
NASDAQ	(u)	140.845	165.613
NYSE			
Issues Traded	2,221	2,213	2,191
Rises	1,063	771	996
Falls	649	926	669
Unchanged	509	516	526
New Highs	57	33	29
New Lows	16	30	19

CANADA

TORONTO	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW
Metals & Minerals	2968.93	2961.53	2985.40	3002.51	3238.87 (16/1)	2935.22 (2/1)
Composite	3439.84	3444.14	3475.79	3479.84	3666.00 (16/1)	3439.84 (17/3)
MONTREAL Portfolio	1800.33	1806.92	1821.66	1830.96	1937.59 (16/1)	1800.33 (17/3)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1578.9	1586.7	1588.4	1591.4	1675.60 (15/1)	1578.90 (17/3)
All Mining (1/1/80)	695.3	699.9	697.5	697.1	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	435.63	430.29	430.56	427.18	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1040.63	1025.08	1024.91	1013.03	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1209.76	1208.76	1212.4	1204.85	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	336.50	340.12	343.01	344.50	365.29 (15/1)	338.50 (17/3)
FINLAND						
HEX General (28/12/90)	853.0	860.0	862.8	874.6	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	522.71	523.48	523.75	528.08	534.00 (11/3)	475.53 (2/1)
CAC 40 (31/12/87)	1943.59	1929.22	1947.05	1941.75	1993.88 (10/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	702.27	700.70	700.82	703.83	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1988.0	1983.1	1992.7	1992.3	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1730.07	1724.80	1732.64	1727.50	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5045.39	5059.86	5071.19	5042.81	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	(c)	1400.25	1407.25	1403.96	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	503.28	505.27	510.71	511.35	551.59 (6/2)	503.28 (17/3)
MIB General (2/1/87)	992.0	994.0	1006.0	1008.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	19917.63	19837.16	20456.06	20561.89	23801.18 (6/1)	19837.16 (16/3)
Tokyo SE (Topix) (4/1/68)	1433.87	1444.86	1464.00	1472.21	1763.43 (6/1)	1433.87 (17/3)
2nd Section (4/1/68)	2160.83	2181.22	2208.62	2220.11	2459.85 (6/1)	2160.83 (17/3)
MALAYSIA						
KLSE Composite (4/4/86)	594.49	591.74	595.22	592.42	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	292.4	291.1	291.1	291.0	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	205.3	204.4	204.4	204.3	4379.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	701.45	696.64	693.19	691.94	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1083.01	1106.61	1122.63	1118.21	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	387.93	388.04	391.59	391.97	416.99 (21/1)	384.78 (9/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1161.04	1186.0	1193.0	1208.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4379.04	4368.0	4357.0	4392.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	615.19	608.36	614.58	619.11	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	259.22	258.87	260.18	259.76	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	988.70	989.6	986.5	977.5	991.50 (10/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	807.5	798.3	798.9	794.4	817.50 (4/3)	748.50 (8/1)
SBC General (1/4/87)	639.4	634.3	635.7	632.4	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4890.32	5012.96	5030.63	4984.86	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangok SET (30/4/75)	795.76	792.29	805.59	808.40	816.50 (17/2)	711.81 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70) ($)	492.5*	490.2	492.8	491.9	542.18 (7/1)	490.20 (16/3)
Euro Top-100 (26/6/90)	923.17	917.92	921.99	920.23	943.20 (3/3)	870.31 (2/1)

**Saturday March 14: Taiwan Weighted Price. 5029.61. Korea Comp Ex. 609.45
§ Subject to official recalculation † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 17 March 1992

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	10.5m	300	-15
Seibu Gas	10.0m	477	+5
Kubota	8.7m	616	-2
Osaka Gas	7.0m	470	0
Ito-Yokado	6.1m	4,050	-20
Fuji Kyuko	5.0m	718	-2
Yasuda Fire	4.7m	821	-5
Nippon Steel	4.4m	352	-7
Nippon Tele	4.4m	18,300	-700
Niigata Eng	4.3m	683	+5

Price data supplied by Telekurs.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices March 17

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.2	18	26	15¼	14⅞	15¼	+¼
26	20⅝	A L Labs A	0.16	0.7	110	1034	23¼	22¼	23¼	+1¼
68¼	58⅞	AMP Inc	1.52	2.5	24	1091	60½	59¾	60½	+⅝
80¼	68⅜	AMR			26	1840	77¾	77⅛	77⅜	+¼
2⅛	1⅜	ARX			2	5	1⅞	1⅞	1⅞	
53½	43¼	ASA	2.75	6.1	13	405	45¼	44⅛	44⅞	+⅛
68⅛	58¾	Abbott Lab	1.20	2.0	23	5733	60⅛	59⅞	60⅜	+1
13½	12⅛	Abitibi Pr	0.43	3.3	27	11	13⅛	13⅛	13⅛	-⅛
11⅞	10⅜	ACM Gvt In x	0.96	9.2		377	10½	d10⅜	10½	
10⅜	9⅛	ACM SecInc x	0.80	8.5		190	9½	9¼	9⅜	
9⅛	8⅜	ACM Gvt Sp	0.80	9.0		208	8⅞	8¾	8⅞	
11¼	10⅛	ACM Gvt Se	0.96	9.2		427	10½	10⅜	10⅜	-⅛
9⅜	8⅝	ACM Man x	0.95	10.6		333	9	8⅞	9	+⅛
12⅞	10⅞	ACM MgdDl x	1.08	9.6		167	11¼	11⅛	11¼	+⅛
10⅛	7	Acme Cleve	0.40	4.0	19	491	u10¼	9¾	10⅛	+⅜
6¼	4½	Acme Elect			4	56	u6¼	5⅞	6⅛	+⅜
33¼	19½	Acuson			12	1745	20⅜	20	20	-⅛
19⅜	18½	Adams Expr	0.48	2.5	0	93	19⅜	19	19⅛	+⅛
15½	13	Adobe 1.2Pf	2.40	16.4		35	14⅝	14⅜	14⅝	+⅛
5⅜	4½	Adobe Res			2	31	5	4⅞	5	
40⅛	40½	Ad Micro	3.00	7.0		1156	43⅛	43	43	-⅛
21½	16½	Ad Micro P	3.00	16.7	11	5139	18¼	17⅞	18	+⅛
9⅛	5	Advest Grp	0.16	2.1	31	168	7⅝	7½	7⅝	
71⅛	67⅛	Aegon ADR			6	2	68⅜	68½	68⅝	+⅛
47	39	Aetna Lf	2.76	6.3	9	1967	44⅛	43¾	43⅞	+⅛
12	8⅛	Ahml A	0.24	2.3	74	1234	10⅝	10¼	10½	+⅜
32⅞	28	Aflac	0.40	1.4	15	607	28⅝	28⅛	28¼	-½
19⅛	15⅜	Ahmanson	0.88	5.2	8	1144	17	16⅞	17	+⅛
22½	15	Aileen Inc			16	130	18⅞	18⅜	18½	
43¼	36⅛	Air Pr Chm	0.80	1.3	18	1979	42⅝	42⅛	42⅝	+½
29¼	23⅛	Airborne Frt	0.30	1.1	19	106	27⅛	26¼	26¾	-¼
26	22⅜	Airgas Inc			27	57	24⅝	23⅞	24⅛	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¾	66½	Xerox	3.00	3.9		152036	76½	75	76⅛	+1
55½	50½	Xerox4.125				2100	52	52	52½	+½
27½	24⅝	Xtra 1.94	1.94	7.0		502	u27¾	27	27⅝	+⅝
34¾	28½	Xtra Corp	0.80	2.2	16	757	u36	34⅜	35⅜	+1¼
27	25¼	Yankee Egy	1.60	6.1	12	18	26½	26⅜	26⅜	−⅛
1½	½	Zapata			31	267	1⅛	1¼	1¼	−⅛
11⅛	7¼	ZenithElec				5	436	9¼	9	9¼	+⅛
17¼	14½	Zenith Nat	1.00	6.2	7	25	16⅜	16⅛	16⅛	−⅛
6⅞	6	Zenix Inc	0.84	12.7		165	u6¾	6⅝	6⅝	−⅛
13¾	11¼	Zero Corp	0.40	3.1	18	80	13⅛	12⅞	13	
38	34¼	Zurn Ind x	0.88	2.4	16	221	36¾	36½	36⅝	+¼
14⅛	12¾	Zweig Fund	1.18	8.8		325	13¼	13⅛	13⅛	
11	9⅞	Zweig Tot! x	0.98	9.2		449	10⅝	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Ohi Corp	0.14	7	76	6¾	6½	6⅝	
Pall Corp	0.36	28	2686	27⅛	d25¾	26½	
Pegasus G	0.10	33	320	12⅝	12	12⅝	−⅛
Perini		50	2	13¾	13⅝	13¾	+⅛
Pet HSP z	0.31	8	7	10⅞	10⅞	10⅞	
Phil LD x	0.25	14	416	34	33⅛	33½	+¼
Pitway A x	0.70	15	39	29⅞	29¾	29¾	
Ply Gem	0.12	27	119	11	10⅝	10⅞	
PMC	0.62	16	11	10⅝	10⅜	10⅝	+⅛
PresidioA	0.10	2	20	2⅞	2⅞	2⅞	
Price Com		0	72				+⅛
RB&W Cp		3	10	3⅞	3⅞	3⅞	
RiedelEnv		2	11	3⅜	3⅜	3⅜	
SJW Corp	1.96	10	6	30½	30½	30½	
StadUnion		41	30	15¼	15¼	15¼	+⅛
Sterl El		15	46	4¾	4½	4½	−¼
TII Ind		1	13	1⅞	1⅞	1⅞	+⅛
Tab Prods	0.40	247	39	12⅞	12⅛	12⅞	
TelData x	0.32	62	290	37¼	36⅝	37	+⅛
Thermedcs		105	74	9⅞	9¼	9¼	−¼
Thermolns		23	400	21⅛	21⅛	21⅛	
Total Pet	0.40	29	35	9⅝	9½	9⅝	
TownCntry		1	81	2⅛	2⅛	2½	+⅛
Tubos Mex		1	232	8⅛	7⅞	7⅞	
UtdFoodsA		4	20	1⅜	1¾	1⅜	+⅛
UtdFoodsB		67	11	1⅜	1⅜	1⅜	
UnivPtnts		27	376	11⅛	10½	11⅛	+¼
US Cellul		37	37	23⅝	23½	23⅝	+¼
Viatech		30	163	14½	13¼	14⅜	+1
WangLab C		2	34	8½	8¼	8½	−⅛
WangLab B		2	4647	6¼	6	6¼	+½
Weatherfd		12	669	3⅞	d3½	3⅝	−⅛
Wesamer	0.45	9	22	19⅝	19⅝	19⅝	
WIRET	1.20	14	150	13	12⅞	12⅞	−⅛
Worthen		10	33	21¼	20½	21¼	+½
Xytronix		20	44	15½	15	15⅛	−½

NASDAQ NATIONAL MARKET

4:00 pm prices March 17

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	839	28¾	28	28½	+¾
Xoma Corp		13	1108	23	22½	23	+½
Yellow Fr	0.94	32	398	31½	30¾	31⅛	
York Rsch		42	3683	5⅝	4¾	5⅛	+⅛
ZionsUtah	1.44	9	621	48¾	47	47½	−½

AMERICA

Good housing starts help to boost Dow

Wall Street

ENCOURAGING signs of economic recovery and lower US bond yields helped equities move higher yesterday, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average finished 19.68 higher at 3,256.04 after moderate New York SE volume of 188m shares. Advancing stocks led those declining by 1,048 to 657.

The Standard & Poor's 500 added 3.18 at 409.57, while the Nasdaq composite of over-the-counter stocks climbed 5.33 to 623.27.

The stock market took strength from more encouraging news about the US economy, with February housing starts up 9.5 per cent after a 5.5 per cent increase in January. Many players had expected static housing starts this time. In addition, the slim recovery in Tokyo after Monday's stock market plunge gave some support to US stocks.

Lower bond yields also helped. In late trading, the treasury's benchmark 30-year bond was ⅜ higher at 99⅔, yielding 8.01 per cent. Yields had initially risen as the bond market reacted to the February housing starts, but prices then turned higher on weaker than expected February industrial production figures.

The equity market was further encouraged by the slight 0.3 per cent increase in February's consumer price index, which indicated that economic recovery might not be accompanied by inflation.

Singer, the sewing machine manufacturer, was one of the most active big board issues of the day, rising $2 to $23⅞ after the company sold 7m shares at $21.875 each in an offering priced late on Monday.

Unisys was actively traded for a second day in the wake of bullish first-quarter forecasts by company executives, who said that the computer company would post a profit for the first quarter, usually its weakest period. The shares closed $⅛ firmer at $10⅛.

Auto issues were busy for the second day running, Chrysler rising $¾ to $18, a 52-week high, Ford $⅝ to $38⅛ and General Motors $⅝ to $37⅞.

Federal Express improved $2 to $55¼ after the air freight company said late on Monday that it had cut back its operations in Europe. Federal Express also turned in a third-quarter loss after a restructuring charge of $254m.

U.S. Shoe climbed $2⅜ to $16⅛ on the back of fourth-quarter profits of 28 cents a share, against a loss of $1.24 a year earlier. An analyst at Kemper Securities yesterday initiated coverage of the stock with a "strong buy" rating.

Eastman Kodak dipped $⅝ to $40⅛ in heavy trading. An analyst at Salomon Brothers downgraded the stock's rating yesterday and cut 1992 earnings estimates to $3.50 a share from $3.90.

New York's annual hullabaloo over St Patrick's Day was not reflected on Wall Street, where shares in the Irish Investment Fund eased $⅛ to $7⅞ on paltry volume.

Technology issues dominated Nasdaq trading, with Microsoft climbing $3⅛ to $127⅞, Lotus Development losing $1⅛ to $37 and Dell Computer adding $2¼ at $38¾.

Canada

TORONTO was dragged slightly lower by another fall in the gold sector. The composite index ended 4.3 easier at 3,439.8 as declines outscored rises by 334 to 226. Volume amounted to 29.4m shares.

The gold sub-group dropped 1.56 per cent as spot gold in New York lost US$3.25 to US$340.50 an ounce, after losing $3 on Monday.

Plague of bad news leaves Oslo volatile

There are a number of reasons why Norway has been vulnerable, writes **Karen Fossli**

Volatility, and vulnerability, in the Oslo stock market has carried over from last year into 1992. Equities are plagued by bad news in Norway's banking sector, weaker 1991 earnings by blue chip industrials, low tanker rates suffered by shipping companies and confusion over takeover battles in the insurance sector.

Since the close of 1991, the Oslo All-Share index has dipped by 0.30 per cent; but it has dropped by 13.7 per cent in the 12 months to the end of February. The market fell 9.4 per cent in 1991.

Oslo's problems are not just psychological jitters caused by last year's near-collapse of the country's ailing banking industry; they are also related to the volatility of the crude oil market, from which Norway's economy needs a minimum price of $18 per barrel.

In addition, Norway's big export industries, represented by blue chip stocks outside the oil sector, are suffering from a downturn in the world economy. This became distinctly apparent in February as 1991 profit and loss accounts began to flow.

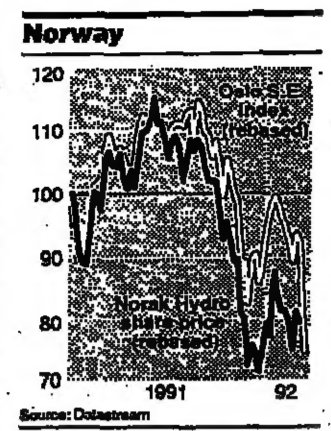
Norsk Hydro, the big blue chip which weighs heavily not only on the All-Share, but also on the industry sub-index, has seen its share price weaken 24.7 per cent in the last 12 months to end-February.

Hydro's decline reflects the company's reversal in fortunes between 1990 to 1991, with its earnings hit hard by major write-offs in its agriculture and magnesium divisions. Last year the company slid into a net loss of NKr498m ($76.6m) from a profit in 1990 of NKr2.9bn, and was forced to pass its dividend. It also took a non-recurring NKr2.9bn charge for restructuring of the two divisions, compared with a NKr200m restructuring charge in 1990.

The company's weak performance was reflected in a 6.6 per cent decline in the industry sub-index in January this year, although the fall since the start of the year has now been reduced to just 0.35 per cent.

The banks sub-index, which last year saw the delisting of Norway's two biggest banks after they were nationalised in a state-backed rescue plan, plunged 71.4 per cent in the last 12 months to end-February. It fell 16.3 per cent in the first two months of this year, and by 14.7 per cent in January alone.

Norway



Source: Datastream

The horrors of the sector's near demise almost destroyed investor confidence in the market as a whole. Analysts believe that sentiment is likely to continue to suffer but that several undervalued stocks will give a medium-term lift to the market, which will also be led by trends on Wall Street.

Den norske Bank (DnB), Norway's biggest bank, was barely saved from insolvency last December by a state-backed rescue package which included a takeover of Realkreditt, the ailing mortgage group.

DnB's "A" shares fell 92.9 per cent from end-February 1991, when they were NKr90, to end-February this year when they stood at NKr6.40. However, as part of the state rescue plan the bank announced a NKr2.38bn preference share issue yesterday, to help it meet equity capital requirements by the end of the year.

The shipping sub-index, in which Bergesen weighs heavily, has dropped 23.6 per cent in the last 12 months. In January, shipping issues fell 11.3 per cent but there was some recovery implicit in a two-month decline of 3.5 per cent since the start of the year to the end of last month.

For its part, Bergesen's share price dropped 17.6 per cent in the 12 months to February on fears that tanker prices will continue to decline this year, and worries over where financing will be raised to renew the company's ageing fleet. Bergesen has a fleet of 18 tankers and warned that 1992 operating profit for that sector of business will be lower. Last year 54 per cent of Bergesen's NKr812m operating profit was derived from tanker operations.

On a positive note, DnB Securities believes demand for oil tanker tonnage will increase by 2 to 7 per cent in 1992, with the supply side expected to grow by 5 per cent.

The 12-month fall in insurance shares is 37.7 per cent. Uni Storebrand, the heavyweight of insurance stocks, has seen its share price tumble 44.2 per cent over the same period.

The market is not convinced of the logic in Uni's NKr4.7bn investment in Skandia, the Swedish insurer, or how Uni will get around Skandia's voting limitation of 30 votes per individual shareholder if it is indeed seeking to take over the company.

ASIA PACIFIC

Arbitrage buying fails to lift Nikkei above 20,000

Tokyo

THE NIKKEI average failed to recover to above the critical 20,000 level in spite of arbitrage-related activity which pushed up share prices late in the day, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 80.47 better at 19,917.63 after a day's high of 19,990.68 and low of 19,687.94. Selling by companies and investment trusts initially depressed the market, but arbitrage-related buying and bargain hunting lifted the index in the afternoon.

Volume picked up to 350m shares from 200m on active cross-trading ahead of the March year-end book closing.

In spite of the rise in the Nikkei, other statistics reflected the market's continued bearishness. Declines led advances by 728 to 271, with 121 issues unchanged. The Topix index of all first section stocks shed 10.99 to 1,433.87, extending its fall to 11 consecutive trading days, the first time in 35 years. A total of 337 issues set new lows since the beginning of last year. In London the ISE/Nikkei 50 index was just 0.62 easier at 1,101.05.

Traders said the improvement in the Nikkei was supported by gains in illiquid component stocks. Mr Masami Okuma at UBS Phillips & Drew commented: "The Nikkei is not really a benchmark any more, since most blue chips are losing very heavily."

Many analysts have attributed the fall in equities to the weakness in the economy. However, hopes that the Bank of Japan will respond to the decline in confidence by cutting the official discount rate have been dashed by recent central bank comments that the economy was stable. Mr Minoru Nagaoka, chairman of the Tokyo Stock Exchange, yesterday called for fiscal and monetary measures to stimulate the economy and help the stock market.

Large-capital issues such as steel makers lost ground, with Nippon Steel ending Y7 down at Y302 and NKK Y9 off at Y381. Exporters also fell, with Hitachi slipping Y9 to Y756 and Toshiba Y6 to Y564. Nippon Telegraph and Telephone weakened for the 14th consecutive trading day, losing Y9,000 to Y642,000.

Sanrio, the novelty goods maker, fell Y120 to Y1,260 on reports that it may not pay a dividend. The company is renowned for its extensive financial investments, and faces mounting losses due to the fall in share prices.

Financial issues were lower on profit-taking ahead of the year-end. Industrial Bank of Japan receded Y30 to Y2,520 and Sumitomo Bank dipped Y20 to Y1,730.

Foreigners were seen bargain hunting in blue chip exporters. Matsushita Electric Industrial put on Y20 to Y1,260 and Kyocera added Y60 at Y4,030.

In Osaka, the OSE average declined 250.77 to 21,337.87 in volume of 441.4m shares. Activity surged on trading by companies realising profits ahead of the March book-closing.

Roundup

PACIFIC RIM markets continued to be pulled lower by the weakness in Tokyo.

HONG KONG retreated moderately, with the news that HSBC is in merger talks with Midland Bank, of the UK, coming after the market had closed. The Hang Seng index finished 15 points off at 5,044.86 in turnover of HK$2.2bn.

Analysts expect the market to shed over 100 points today as investors react negatively to the merger talks. HSBC closed 25 cents down at HK$45.25.

MANILA's fall continued on uncertainty about the tender price to be set for the additional share offering in Philippine National Bank, down 11 pesos at 249 pesos. The composite index ended 23.60 lower at 1,083.01 in turnover of 132.7m pesos.

The weakness in the US of Philippine Long Distance Telephone also depressed general sentiment and the stock closed 20 pesos down at 555 pesos.

TAIWAN dropped nearly 150 points before rallying modestly to end a net 122.64, or 2.5 per cent, off at 4,890.32. Turnover came to T$29.3bn, against T$26.4bn. The market remained burdened by political uncertainty over democratic reform proposals.

SEOUL drew comfort from a government announcement that it would provide loans totalling Won250bn to both small and medium-sized companies. The composite index rose 6.83 to 615.19 in turnover of Won209.8bn.

SINGAPORE remained dull in low volume. The Straits Times Industrial index lost 4.30 to 1,445.36 in turnover of 19.73m shares, down from 30.56m. NatSteel, which has announced that it is cutting steel bar prices by 4 per cent, put on 6 cents to S$4.02.

KUALA LUMPUR improved slightly in thin trade, the composite index closing 2.75 up at 594.49 in volume of 27m shares.

BANGKOK edged forward, helped by gains in the property and finance sectors. The SET index firmed 3.47 to 795.76 in turnover of Bt4.67bn.

BOMBAY weakened as state-owned investment houses sold shares. The BSE index fell 51.42 to 3,198.78.

AUSTRALIA took little encouragement from data which showed an upturn in the economy during the December quarter. The All Ordinaries index finished 7.9 easier at 1,578.9.

NEW ZEALAND turned downwards, the NZSE-40 index dipping 3.74 to 1,454.45 in turnover of some NZ$17m.

EUROPE

Lack of incident leaves bourses improved

LACK of incident on the global market scene, after Monday's travails in Tokyo, left most bourses tentatively better on the Continent yesterday, writes Our Markets Staff.

FRANKFURT had no story for the market as a whole to trade upon, and so dealers reverted to stocks which suited a thin day – big names, but less liquid and second line, said Mr Patrick Shields of Nikko Europe.

AMB in insurers, AEG in electricals and Asko in retailing all put up useful gains, of DM20 to DM895, DM4.80 to DM220.50 and DM12 to DM745 respectively, but only Asko had a story: in the Frankfurter Allgemeine Zeitung its chief executive, Mr Klaus Wiegandt, was quoted as saying that the company would more than triple its operating profit to DM600m in 1995, after DM180m in 1990.

In engineering, Linde moved upon performance achieved, rising DM14.50 to DM819.50 on this week's 10 per cent rise in profits. Meanwhile, the FAZ index was 1.57 higher at 702.27 in midsession and the DAX closed 5.27 better at 1,730.07 as German stock market turnover rose from DM3.8bn to DM4.4bn.

ZURICH was led higher by Nestlé, which rose sharply after Monday's Paris court ruling which appeared to have improved the chances that Nestlé and Exor, competing bidders for Perrier, will reach an agreement giving Nestlé control of the water group and averting a bidding battle.

Nestlé bearers rose SFr140 to SFr9,470 and the SPI index by 9.5 to 1,130.5. Brown Boveri bearers rose SFr30 to SFr3,570 ahead of results tomorrow, on speculation that BBC will split its shares, and that it could abolish its certificates.

MILAN carried over its recent weakness into the new account. Rumours of forced selling by a local financial services company weighed on the market. The Comit index fell 1.99 to 503.28 in turnover estimated at L70bn-80bn, down from Monday's L108bn.

FT-SE Eurotrack 100 - Mar 17

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1147.94	1148.15	1149.18	1150.42	1150.34	1151.31	1152.01	1151.88

Day's High 1152.88 Day's Low 1147.93

Mar 16	Mar 13	Mar 12	Mar 11	Mar 10
1145.61	1154.40	1149.99	1161.88	1169.22

Base value 1000 (26/10/90).

Dealers said that Agnelli shares did not fall as heavily as feared following news on Monday of the group's setback in the takeover battle for the French mineral water company, Perrier. Fiat fell L80 to L4,790 and the holding company Ifi dropped L110 to L12,300. James Capel yesterday issued a sell note on Fiat, saying that there was no short-term solution to its malaise and that its fortunes would not improve until 1993.

Other industrials were weak with Montedison down L14 to L1,316, but Pirelli rose for the second day, adding L5 to L1,190, on reports of London buying.

PARIS rebounded on reasonable UK buying interest. The CAC-40 index rose 14.37 to 1,943.59 but turnover remained modest at FFr2bn.

Recent favourites moved up, with Euro Disney adding FFr2.50 to FFr162.50 and Alcatel adding FFr11 to FFr605. Pechiney investment certificates put on FFr15.50 or 4.9 per cent to FFr333 on UK demand.

Perrier bucked the trend, losing FFr42 or 2.6 per cent to FFr1,608, as hopes of a bidding war in the current takeover struggle receded. There was also speculation that Nestlé and the Agnelli group might reach a deal behind the scenes.

AMSTERDAM rose with strong foreign interest in Heineken. The brewer closed at a record high, up Fl 5.1, or 2.8 per cent, at Fl 182.0. Grolsch, however, was hit by profit-taking and closed down Fl 1.8 at Fl 26.0.

The CBS Tendency Index gained 0.9 to 125.6 in turnover of Fl 577.6m. Publishers were active, with Wolters Kluwer rising Fl 1.3 to Fl 70.10 and Elsevier, which reports 1991 results on Friday, gaining 2 per cent to close at a record high, up Fl 2.4 at Fl 117.5. Analysts said that Wolters Kluwer's results on Monday, which showed a 24 per cent rise in profits, had had a positive effect on other stocks in the sector.

Hunter Douglas continued to move ahead after falling sharply last week following publication of disappointing results: the building materials group closed up Fl 1.3 or 2 per cent at Fl 65.3.

STOCKHOLM saw Hennes and Mauritz reach an all-time high of SKr740, up SKr25, on its strong growth potential as the Affärsvärlden general index closed at 988.7, up 2.1, in moderate turnover of SKr500m.

COPENHAGEN eased as a leadership contest in the opposition Social Democratic Party had a negative influence on the market, *writes Hilary Barnes.* The CSE index fell by a further 1.62 to 338.50. ISS, which published a better-than-expected 1991 result, was up DKr11 at DKr890.

HELSINKI fell ahead of today's government measures to support Finnish banks, the Hex index closing 7.0 lower at 853.0.

ISTANBUL closed lower, the 75-share index finishing down 8.68 at 3,771.10 in turnover of TL195.4bn.

SOUTH AFRICA

JOHANNESBURG's gold index fell sharply as the world bullion price fell to its lowest level since June 1986. The index closed down 25 at 1,161. The industrial index closed up 11 at 4,379, while the overall index rose 6 to 3,530.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 17 1992								MONDAY MARCH 16 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	142.12	−0.2	121.69	119.89	122.07	124.98	−0.4	4.42	142.44	123.10	120.60	123.34	125.45	160.31	112.74	135.16
Austria (20)	174.48	+1.4	149.40	147.19	149.86	149.81	+0.7	1.93	172.03	148.67	145.66	148.96	148.81	222.37	153.86	199.21
Belgium (46)	139.57	+0.7	119.50	117.73	119.87	117.20	−0.2	5.07	138.58	119.77	117.33	120.00	117.40	151.20	118.04	142.00
Canada (115)	128.76	+0.0	110.25	108.61	110.58	111.61	−0.2	3.32	128.74	111.26	109.00	111.47	111.87	144.28	126.49	138.51
Denmark (36)	235.96	+0.5	202.04	199.05	202.66	205.87	−0.3	1.79	234.85	202.97	198.86	203.36	206.43	273.94	217.74	248.29
Finland (15)	78.82	−1.0	67.49	66.49	67.70	74.59	−1.7	2.11	79.59	68.78	67.39	68.91	75.88	125.15	73.32	115.05
France (108)	152.98	+1.5	130.99	129.04	131.38	134.68	+0.7	3.30	150.74	130.27	127.63	130.51	133.77	156.43	119.11	136.25
Germany (65)	118.43	+1.1	101.41	99.92	101.71	101.71	+0.2	2.24	117.19	101.28	99.24	101.47	101.47	125.35	94.15	111.14
Hong Kong (55)	209.76	−0.3	179.61	176.94	180.17	208.54	−0.2	3.73	210.45	181.88	178.19	182.24	209.05	210.88	119.62	152.24
Ireland (18)	159.08	+0.9	136.21	134.19	136.63	138.83	+0.0	3.68	157.70	136.29	133.53	136.55	138.83	182.46	132.88	170.09
Italy (77)	70.27	+0.4	60.17	59.28	60.35	65.19	−0.4	3.56	69.97	60.47	59.24	60.59	65.47	89.23	64.76	81.81
Japan (473)	105.70	−0.2	90.51	89.16	90.79	89.16	−0.6	0.95	105.93	91.54	89.69	91.73	89.69	146.97	105.70	142.79
Malaysia (68)	239.08	−0.5	204.71	201.67	205.33	238.71	+0.2	2.79	240.20	207.59	203.37	207.98	238.12	250.18	189.18	238.79
Mexico (18)	1615.37	−1.2	1383.16	1362.66	1387.40	5405.35	−1.2	1.05	1635.47	1413.43	1384.79	1416.14	5471.71	1789.77	534.45	705.55
Netherland (31)	150.38	+1.3	128.76	126.85	129.16	127.65	+0.5	4.33	148.51	128.34	125.74	128.59	127.09	156.48	125.70	136.85
New Zealand (14)	45.25	−0.2	38.74	38.17	38.86	43.97	−0.2	6.24	45.33	39.18	38.38	39.25	44.07	54.64	41.18	45.82
Norway (24)	167.92	+1.2	143.78	141.65	144.23	147.81	+0.3	1.73	165.91	143.38	140.48	143.66	147.33	223.24	157.08	201.18
Singapore (38)	209.36	+1.3	179.27	176.61	179.81	158.57	+0.0	2.17	206.75	178.68	175.06	179.02	158.54	228.43	151.63	199.17
South Africa (61)	203.32	+0.1	174.09	171.51	174.62	176.01	+0.1	2.86	203.16	175.58	172.02	175.91	175.88	271.99	173.00	202.16
Spain (51)	153.95	+1.1	131.82	129.87	132.22	121.75	+0.3	4.94	152.25	131.58	128.91	131.83	121.45	171.12	131.51	166.32
Sweden (25)	184.48	+1.3	157.96	155.62	158.45	163.59	+0.3	2.79	182.18	157.45	154.26	157.75	163.03	204.12	146.60	189.91
Switzerland (59)	98.59	+2.2	84.42	83.17	84.69	91.41	+1.2	2.13	96.45	83.36	81.67	83.53	90.35	104.22	82.17	91.30
United Kingdom (233)	172.43	+1.8	147.65	145.44	148.08	147.65	+0.8	5.05	169.43	146.43	143.45	146.70	146.43	187.44	156.27	175.42
USA (523)	167.35	+0.8	143.30	141.18	143.74	167.35	+0.8	2.92	166.05	143.50	140.60	143.78	166.05	171.66	125.95	148.59
Europe (808)	142.44	+1.4	121.96	120.16	122.34	122.65	+0.6	3.95	140.41	121.34	118.89	121.58	122.17	151.52	125.50	140.94
Nordic (100)	173.74	+0.8	148.76	146.56	149.22	147.49	+0.0	2.21	172.28	148.89	145.87	149.18	147.47	200.81	155.55	185.67
Pacific Basin (717)	110.43	−0.2	94.56	93.16	94.35	93.71	−0.5	1.33	110.66	95.64	93.70	95.82	94.22	145.92	110.43	142.43
Euro – Pacific (1525)	123.47	+0.5	105.72	104.15	106.04	105.92	+0.0	2.54	122.80	106.12	103.97	106.32	105.96	147.66	121.29	142.17
North America (638)	164.92	+0.8	141.22	139.14	141.67	163.56	+0.7	2.94	163.69	141.47	138.62	141.77	162.36	169.69	125.91	147.88
Europe Ex. UK (575)	123.86	+1.2	106.06	104.50	106.40	108.26	+0.4	3.18	122.36	105.75	103.63	105.98	107.86	129.80	103.59	120.05
Pacific Ex. Japan (244)	157.14	−0.2	134.55	132.58	134.98	140.33	−0.2	3.85	157.41	136.04	133.30	136.32	140.63	158.16	111.40	137.25
World Ex. US (1719)	125.48	+0.5	107.44	105.85	107.77	108.14	−0.1	2.55	124.85	107.90	105.72	108.11	108.20	148.16	122.32	142.97
World Ex. UK (2009)	135.44	+0.5	115.97	114.26	116.34	124.24	+0.2	2.43	134.79	116.49	114.13	116.72	123.96	150.58	120.06	140.68
World Ex. So. Af. (2181)	138.27	+0.6	118.40	116.65	118.77	125.99	+0.3	2.70	137.41	118.78	116.36	119.00	125.63	153.06	122.92	143.40
World Ex. Japan (1769)	157.33	+0.9	134.71	132.73	135.14	147.84	+0.6	3.32	155.90	134.73	132.02	135.01	146.96	161.90	126.69	145.68
The World Index (2242)	138.66	+0.6	118.72	116.97	119.10	126.45	+0.3	2.70	137.85	119.09	116.69	119.33	126.08	153.70	123.28	143.76

Irish market closed March 17.